

In recent years, an important indicator of the internationalisation of developing countries, besides higher exports, has been the rising trend in overseas investment by these countries. Outward direct investment can play an important role in enhancing the global competitiveness of firms from developing countries by providing access to strategic assets, technology, skills, natural resources and markets. At the same time, increased investment flows between developing countries serve to enhance South-South cooperation.

The increasing internationalisation of developing countries can be assessed from the fact that the stock of outward Foreign Direct Investment (FDI) from these countries has risen from US\$ 147 bn in 1990 to over US\$ 1 trn in 2004. Further, FDI outflows from developing countries have risen from an average of US\$ 51.3 bn during 1992-97 to US\$ 83.2 bn in 2004. Driving this development have been countries in the Asian region, which have accounted for an increasing share in FDI outflows from developing countries. Among the emerging overseas investors from the Asian region, the rise in India's outward investment has been significant.

The surge in FDI outflows from India witnessed in recent years attests to the expanding base of domestic firms, which are able to compete globally, reflecting increasing quality and cost competitiveness to sustain long-term domestic and international growth. Focus on core

competencies, increased R&D efforts and enhanced technological know-how have underlined this development. At the same time, access to markets, natural resources, distribution networks, foreign technologies and strategic assets like brand names have motivated Indian companies to increasingly look outward in their endeavours to internationalise their operations. Further, the shift in the pattern of financing overseas investment, from equity outflows from the host country towards re-invested earnings, is an indicator of the increasing confidence of Indian firms in internationalisation. Also, Indian enterprises are increasingly using mergers and acquisitions to venture overseas.

While globalisation of the world economy has fostered the outward orientation of Indian companies, significant policy

liberalisation and renewed support in recent years have provided the impetus in this direction.

Providing a comprehensive range of products and services to Indian companies in their internationalisation efforts has been at the core of Exim Bank's endeavour. The pioneering and pivotal role that the Bank plays in financing, facilitating and promoting India's project exports, supporting Indian firms in setting up joint ventures and wholly owned subsidiaries in overseas markets, providing financial and business advisory support to outward-oriented Indian firms, among others, are manifestations of the Bank's endeavours in this direction.

Emerging Indian Multinationals



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Board of Directors

(As on May 31, 2006)



Shri S. N. Menon
Secretary
Department of Commerce
Ministry of Commerce & Industry



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



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



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



Shri Rinzing Wangdi
Secretary (ER)
Ministry of External Affairs



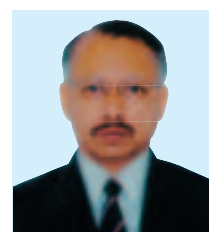
Shri Amitabh Verma
Joint Secretary
Banking Division
Ministry of Finance



Smt. Shyamala Gopinath
Deputy Governor
Reserve Bank of India



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



Dr. Christy L. Fernandez
Chairman-cum-Managing Director
Export Credit Guarantee
Corporation of India Ltd.



Shri A.K. Purwar
Chairman
State Bank of India



Shri K. Cherian Varghese
Chairman & Managing Director
Union Bank of India
(Upto March 31, 2006)



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



Dr. Vinayshil Gautam
Professor
Department of Management Studies
Indian Institute of Technology
New Delhi



Shri S. P. Oswal
Chairman
Vardhman Group
Ludhiana



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



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

The Past Decade

	(Rs. in mn)											
	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Cumulative (1996-2006)	Growth (CAGR)
LOANS												
Approvals	12421	18406	18380	28318	21743	42407	78283	92657	158535	204887	676037	37%
Disbursements	12566	13704	12707	17296	18964	34529	53203	69575	114352	150389	497285	32%
Loan Assets ¹	34513	38248	42641	50833	56443	68260	87736	107751	129104	175931		20%
GUARANTEES												
Approvals	1365	4024	2633	4404	2118	5450	9328	10792	15887	43264	99265	47%
Issuance	1481	1912	2474	3017	1741	4164	7275	5743	16602	21959	66368	35%
Guarantee Portfolio	10215	12094	10553	11147	10740	11273	16133	15769	23727	34023		14%
RESOURCES												
Paid-up Capital	5000	5000	5000	5500	5500	6500	6500	6500	8500	9500		
Reserves	5445	7058	8352	9584	10664	12026	13171	14933	16625	17703		
Notes, Bonds & Debentures	9165	8267	12850	20944	22915	33158	64902	76701	98972	126727		
Deposits ²	660	371	104	2617	2797	3416	9121	20922	82	454		
Other Borrowings	20352	21808	21285	20354	20255	16619	16467	21583	21064	32909		
Total Resources	49329	51201	56665	70264	73981	82734	123189	155192	156922	201401		
PERFORMANCE												
Profit Before Tax (PBT)	1516	2017	2400	2273	2047	2212	2686	3042	3144	3769	25105	
Profit After Tax	1516	2017	1650	1651	1541	1712	2066	2292	2579	2707	19731	
Dividend	310	410	330	350	380	420	450	470	654	868	4642	
Staff (Numbers) ³	126	136	147	150	154	163	167	190	193	200		
RATIOS												
Capital to Risk Assets Ratio (%)	31.7	30.5	26.6	24.4	23.8	33.1	26.9	23.5	21.6	18.4		
PBT to Capital (%)	30.3	40.3	48.0	43.3	37.2	36.9	41.3	46.8	41.9	41.9		
PBT to Net Worth (%)	15.6	17.9	18.9	16.0	13.1	12.8	14.1	14.2	13.5	14.4		
PBT to Assets (%)	3.4	4.0	4.4	3.6	2.8	2.8	2.6	2.2	2.0	2.1		
PBT per Employee (Rs. mn)	12.5	15.4	17.0	15.3	13.5	14.0	16.3	17.0	16.4	19.2		

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

² Deposits are net of corresponding Deposits placed / Investments made with counter-parties effective 2004-05

³ Denotes number of employees in the service of Exim Bank

Note: Data pertain to General Fund

Chairman's Statement

The Indian economy, reflecting strong fundamentals and policy direction, exhibited continued buoyant performance during the year 2005-06. Of particular significance has been the robust rise in India's merchandise exports which crossed the US\$ 100 bn mark during the year, accompanied by sustained rise in services exports. The increasing globalisation of the Indian economy has been clearly brought out by recent WTO data, which demonstrates that India's share in both global merchandise trade and services has risen in recent years.

As the country's premier export finance institution, and in line with the Government of India's foreign trade policy, Exim Bank has endeavoured proactively to enhance the competitiveness of externally-oriented Indian companies and their globalisation efforts while also striving to diversify India's export markets.

BUSINESS INITIATIVES

In line with the objective of market diversification and enhanced share in global trade, the Bank has placed special emphasis on extending Lines of Credit (LOCs) to overseas governments, financial institutions, banks and other agencies to finance export of projects, products and services from India with particular focus on exports by small and

medium enterprises. During the year, the Bank extended 20 LOCs amounting to US\$ 836 mn to support export of projects, goods and services from India including countries in the West African region, which is a high potential, yet unexplored region for Indian exporters. The Bank now has in place 59 LOCs covering 78 countries in Africa, Asia, CIS, Europe and Latin America, with credit commitments aggregating US\$ 1.74 bn available for utilisation, while a number of LOCs are at various stages of negotiation.

The Bank plays a pivotal role in supporting project exports from India with 568 export contracts aggregating Rs. 135.3 bn being secured during the year by 174 Indian exporters with Exim Bank's support. The range of contracts secured by Indian exporters, which encompasses civil construction, turnkey, consultancy as also trade finance oriented supply contracts, reflects the increasing capability of Indian companies in overseas endeavours. To provide further impetus to project exports, the Bank is in the process of investing US\$ 10 mn in the Pan-Asia Project Development Fund, which is envisaged to catalyse involvement of Indian companies with project execution capabilities towards participating in infrastructure projects across Asia by providing seed capital.

With India increasingly emerging as a global investor in recent years, Exim Bank's focus in this direction is evident from the fact that 21 corporates were supported during the year for part financing their overseas investments in diverse sectors covering different markets such as Argentina, Australia, China, Romania, Taiwan, Thailand, UK and USA. The Bank, over the years, has provided financial support to 144 ventures set up by over 120 companies in 45 countries.

The Bank has introduced a structured product for pharmaceutical/biopharma companies for facilitating R&D with the aim to assist in obtaining approvals in regulated pharmaceutical markets. The Bank also selectively supports Indian companies in their endeavours to develop natural resources in foreign geographies.

In line with the Government of India's focus on village and rural sectors, the Bank initiated a number of steps to help the rural enterprises to access the global market. The Bank has signed Memoranda of Cooperation with DHAN Foundation, a leading NGO active in four states, BASICS, Hyderabad, CARE-India and Uravu, an NGO involved in employment generation in the bamboo sector in Kerala. The Bank has supported BASICS toward part financing its

equity investment in PNG Micro Finance Ltd. in Papua New Guinea. The Bank, in association with NABARD and Bank of India, is in dialogue with non-profit organisations in USA to promote export of Madhubani paintings from Bihar.

Exim Bank's experience in evolving as an institution supporting international trade and investment, in addition to functioning as an export credit agency in a developing country context, places the Bank in a vantage position to share its experience and expertise with other developing countries. The Bank was commissioned as consultant by the Reserve Bank of Zimbabwe to help create a support structure in Zimbabwe for international trade and investment through the setting up of an Export-Import Bank of Zimbabwe. The Bank also prepared a report on the Indian food sector for the International Trade Centre (ITC), Geneva, for a programme on Intra-Asian Buyer Seller and Networking Meet at Bangkok, Thailand.

To enhance support provided to the SME sector, the Bank entered into Memoranda of Cooperation with SME Bank of Sri Lanka, Industrial Development Bank of Sudan, Caribbean Association of Industry and Commerce, Serbian Investment and Export Promotion Agency, and Banque de Financement des Petites et Moyennes Entreprises,

Tunisia. Besides, the Bank's Working Paper on "Export Performance of Small and Medium Enterprises in India", which highlights the role of SME sector in India's international trade, delineates SME support policies in select countries, and outlines strategies to foster entrepreneurship and exports from the sector.

Research studies brought out by the Bank during the year include Vanilla and its Potential in India; Perspective and Export Potential of the Indian Leather Industry; Opportunities and Challenges for the Indian Petroleum Products Industry; Sector Study on Floriculture; as also a Comparative Analysis of FDI Flows and Investment Policies in India and Select Asian Countries. With the Gulf Cooperation Council (GCC) region constituting an important trading partner as also major destination for India's project exports, the Bank's Occasional Paper on India's Trade and Investment Potential with the GCC region seeks to identify potential areas for enhancing bilateral trade and investment relations, and also delineates strategies and recommendations to enhance India's commercial presence in the GCC region. Further, the Bank's Occasional Paper on India's Trade and Investment Potential with Select West African Countries identifies opportunities for enhancing India's commercial presence as also bilateral

trade and investment relations with select countries in West Africa.

With China presenting significant trade and investment potential, the Bank took the initiative of launching a bilingual (English and Chinese) newsletter titled "India-China Newsletter", which focuses on issues relating to bilateral trade and investment relations between India and China. This is an addition to a range of publications which includes other quarterly bilingual magazines such as "Indo-African Business", "Indo-LAC Business" and "Indo-CIS Business" which have been well received amongst the constituents.

In recent years, South-South trade and investment relations have assumed increasing importance as drivers of growth in global trade and investment flows. Towards this end, at the joint initiative of the Bank and UNCTAD, a Global Network of Exim Banks and Development Finance Institutions (G-NEXID) was launched in March 2006 in Geneva. Envisaged to promote trade and development finance through cooperation and exchange of information on best practices in trade and project finance among developing countries, G-NEXID would facilitate bilateral and multilateral agreements among Exim Banks and Development Finance Institutions, leading to reduction in costs of trade between developing countries,

enhancing investment flows across borders and making financing readily available to new and innovative business. Further, the Bank has entered into a Memorandum of Cooperation with UNCTAD, wherein the partnership between the two institutions and activities organised under the partnership are envisaged to strengthen the capacity of financial institutions in developing countries in supporting South-South trade and investment flows.

The Bank is partnering International Trade Centre (ITC), Geneva, in implementing an Enterprise Management Development Services programme, which involves development of an IT based toolkit to help generate viable and bankable proposals for SMEs. The project has obtained support from the Government of India, as also from the European Union under its Asia Trust Fund Facility.

The Bank's endeavour to create an enabling environment through synergies derived from institutional linkages has been strengthened by Memoranda of Cooperation signed with National Bank for Foreign Economic Activity, Uzbekistan; Instituto de Credito Oficial, Spain; Export-Import Bank of USA; Export-Import Bank of Nigeria; and Banco Nacional de Comercio Exterior, Mexico. Further, to promote cooperation and business

relationships with a view to providing co-financing support for goods and services exports from India, the Bank entered into Memoranda of Cooperation with major Indian commercial banks such as Bank of Baroda, Bank of India, Oriental Bank of Commerce, UCO Bank and United Bank of India.

The 11th Annual Meeting of the Asian Exim Banks Forum was hosted by Exim Bank in Goa, India, during October 2005, with the theme "Promoting Regional Cooperation Through Trade Financing". In addition to the nine member institutions, viz. Exim Banks of India, Australia, China, Indonesia, Japan, Korea, Malaysia, Philippines and Thailand, the meeting was attended by the Asian Development Bank as a permanent invitee, and KfW (Germany), BNDES (Brazil), OECD (Paris), UNCTAD (Geneva) and SME Bank and Central Bank (Sri Lanka) as observers.

The 2006 "Trade Development Award" was conferred on the Bank by the Association of Development Financing Institutions in Asia and the Pacific in recognition of the Bank's initiative for supporting village and rural industries that proactively creates an enabling environment for small and micro enterprises in the rural and village hinterlands of India to explore newer geographies outside India. The Bank had been conferred this Award in the years 2002, 2004 and 2005 also.

During the year, the Bank continued to work closely with multilateral agencies including the World Bank Group, Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, and United Nations Industrial Development Organisation.

BUSINESS RESULTS

In line with the continued buoyancy in India's exports, the Bank's business performance has exhibited distinct growth. Loan approvals aggregated Rs. 204.9 bn, an increase of 29 per cent over the previous year, while disbursements at Rs. 150.4 bn registered a rise of 32 per cent. Gross loan assets have increased by 34 per cent to amount to Rs. 180.3 bn as on March 31, 2006.

Profit before tax amounted to Rs. 3.77 bn as compared with Rs. 3.14 bn during the previous year, while post tax profit amounted to Rs. 2.71 bn as against Rs. 2.58 bn in the previous year. Capital to Risk Assets Ratio stood at 18.42 per cent, while net NPAs to net loan assets was 0.59 per cent as on March 31, 2006. During the year, the Bank received share capital to the tune of Rs. 1 bn from the Government of India. The paid-up capital of the Bank as on March 31, 2006 stood at Rs. 9.5 bn.

During the year, foreign currency resources raised by the Bank

included JPY 23 bn by way of Samurai bond issue, the first such offering from India in 15 years, as also US\$ 590 mn equivalent through bilateral/club loans. The Bank obtained 'BBB' rating, one notch above investment grade rating, from Japan Credit Rating Agency Ltd. (JCRA), and has international credit ratings from Moody's (Baa3, 'Investment grade', stable outlook), S&P (BB+, positive outlook) and Fitch (BB+, stable outlook), on par with sovereign rating.

INSTITUTIONAL INTERACTION

Institutional relationships, both structured and informal, that have been developed with agencies and institutions involved in promotion of trade and investment, have served to supplement the various endeavours of the Bank. CII, FICCI, ASSOCHAM, NASSCOM, FIEO, EEPIC, PEPC, ICC and other Export Promotion Councils, Indo-EU Chambers of Commerce, other Chambers of Commerce and Economic Research Institutes have been a valuable source of learning and support in the Bank's activities.

The Bank has also received strength and value from interaction with industry, banks, financial institutions, Export Credit Guarantee Corporation of India Ltd., Ministries of Government

of India, particularly the parent Ministry of Finance, Reserve Bank of India, and Indian Missions overseas.

BOARD OF DIRECTORS

There have been changes on the Board during the year. Dr. Ajay Dua, Secretary, Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry; Smt. Shyamala Gopinath, Deputy Governor, Reserve Bank of India; Shri V. P. Shetty, Chairman and Managing Director, Industrial Development Bank of India Ltd.; Dr. Christy L. Fernandez, Chairman-cum-Managing Director, Export Credit Guarantee Corporation of India Ltd.; Shri K. Cherian Varghese, Chairman and Managing Director, Union Bank of India; Shri S. C. Gupta, Chairman and Managing Director, Punjab National Bank; Shri S. P. Oswal, Chairman, Vardhman Group; Smt. Kiran Mazumdar Shaw, Chairman and Managing Director, Biocon Ltd.; and Shri A. Vellayan, Vice Chairman, EID Parry (India) Ltd., were appointed as Directors on the Bank's Board.

Shri A. K. Jha, Secretary, Government of India, Dept. of Industrial Policy and Promotion, Ministry of Commerce and Industry; Smt. Suryakanthi Tripathi, Additional Secretary (ER), Government of India, Ministry of External Affairs; Smt. K.

J. Udeshi, Deputy Governor, Reserve Bank of India; Shri P. K. Dash, Chairman-cum-Managing Director, Export Credit Guarantee Corporation of India Ltd.; Dr. Pulin B. Nayak, Director, Delhi School of Economics; Dr. S. Chandra, Chairman, Pan Asian Management Foundation; and Dr. Budhajirao R. Mulik, Vice President, Asian Association of Agri Engg. (Soil & Water), 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 consistent dedication and commitment in the pursuit of excellence and business growth 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. These attributes would ensure that the Bank is well poised to meet both domestic and international challenges as it enters its 25th year of operations.



(T. C. Venkat Subramanian)

April 22, 2006

Economic Environment

GLOBAL ECONOMY

The global economy, despite continued high oil prices and natural disasters, exhibited resilience during 2005 after a robust expansion during the previous year. According to the IMF's World Economic Outlook, April 2006, global GDP registered a growth of 4.8 per cent during 2005, as compared to the 5.3 per cent growth registered during the previous year, with the momentum in economic activity driven mainly by the US and Developing Asia. In the advanced economies, real GDP growth stood at 2.7 per cent in 2005, as compared to 3.3 per cent in 2004, while in developing economies and emerging markets, real GDP registered a

continued strong growth of 7.2 per cent in 2005 as compared to 7.6 per cent registered during the previous year.

In the US, reflecting strong income growth and improvements in labour and financial market conditions, economic activity remained strong with a real GDP growth of 3.5 per cent during 2005, as compared to 4.2 per cent during the previous year. While growth in the US continues to underpin global expansion, the continued high level of current account deficit of the US, driven by higher oil prices and relatively strong domestic demand, remains a matter of concern. While business and consumer confidence remains strong, near-term prospects could be affected by continued rise in prices of oil and

downstream petroleum products. In Canada, real GDP growth continued to remain strong at 2.9 per cent in 2005, supported by increased consumption arising from employment gains, and wage increases. Structural policies to boost productivity growth and economic flexibility would serve to ensure sustained economic growth.

Economic activity in the Euro area showed signs of recovery, although growth slowed down during the fourth quarter of the year due to falling household consumption and weaker net exports. Real GDP registered a lower 1.3 per cent growth in 2005, as compared to 2.1 per cent during the previous year. Economic performance was diverse in the region reflecting differences in productivity growth and external sector performance. Among the major economies in the region, domestic demand in Spain and France remained relatively strong, while in Germany and Italy, in contrast, domestic demand continued to remain sluggish. Outside the Euro area, real GDP growth in the UK stood at a lower 1.8 per cent in 2005, as compared to that of 3.1 per cent in 2004, reflecting weaker private consumption, monetary tightening and higher energy prices.



Delivering the Twenty First Annual Commencement Day Lecture of Exim Bank, Sir Suma Chakrabarti, Permanent Secretary of the Department for International Development (DFID), United Kingdom, spoke on "Role of the State in Trade and Development". Smt. Shyamala Gopinath, Deputy Governor of the Reserve Bank of India, presided over the function.

In Japan, recovery in wages and employment has supported private demand and consumption while corporate profitability has boosted business investment. Reflecting these developments, real GDP growth increased to 2.7 per cent during 2005, as compared to the 2.3 per cent growth registered during the previous year. While considerable progress has been made to address weaknesses in the banking and corporate sectors in recent years, the momentum of reforms would need to be maintained to sustain economic activity.

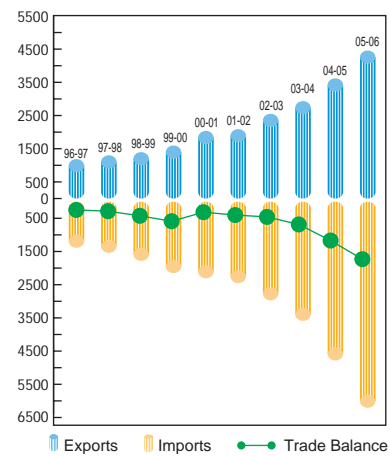
In the Asian region, overall economic activity continued to remain strong, with real GDP growth averaging 8.2 per cent in 2005 as compared to 8.4 per cent during the previous year, supported by relatively strong growth in China and India. In China, real GDP growth remained robust at

9.9 per cent in 2005 as compared to 10.1 per cent in 2004, supported by rise in exports and continued large external surpluses. While the revaluation of the currency in July 2005 represents an important policy measure, further reform of the banking system and public enterprises and development of domestic capital markets are crucial for maintaining stability and growth. In India, robust growth in economic activity has been maintained, underlined by strong performance of the manufacturing and services sectors, and aided by pickup in activity in the agriculture sector. On the external front, despite widening of the trade balance due to strong industrial growth and high global oil prices, buoyancy in services exports and remittances have limited the impact on the current account balance. In South Asia, growth in Bangladesh and Pakistan also remained strong during 2005, underpinned by strong

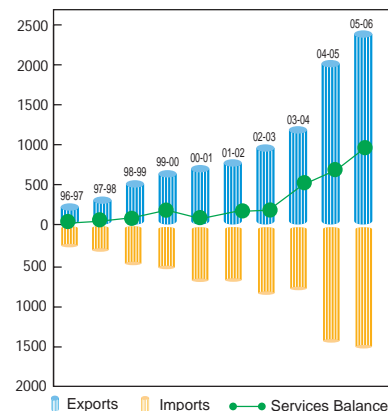


Pioneer Miyagi Chemicals Pvt. Ltd., Madurai, an Indo-Japanese SME acquired a gelatin manufacturing plant in Taiwan with support from Exim Bank, thus increasing its export footprint to also cover China and Europe.

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



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



activity in agriculture and manufacturing sectors, and supportive macroeconomic policies. In the ASEAN region and the newly industrialised Asian economies, viz. Republic of Korea, Hong Kong, Singapore and Taiwan Province of China, monetary policy tightening in most countries resulted in lower

economic activity during 2005, although growth momentum picked up during the latter half of the year. Reflecting this, the combined real GDP of ASEAN-4 (i.e. Indonesia, Thailand, Philippines and Malaysia) registered a growth of 5.2 per cent during 2005, as compared to 5.8 per cent during the previous year. Further, real GDP growth for the newly industrialised Asian economies stood at a lower 4.6 per cent during 2005, as compared to the 5.8 per cent growth in the previous year. Key macroeconomic priorities to support medium-term growth and boost private demand in these countries would include containing inflation, reducing public debt, and greater exchange rate flexibility.

In Africa, expansion in economic activity continued during 2005 with a

real GDP growth of 5.2 per cent during the year, as compared to the 5.5 per cent growth registered during 2004. High commodity prices, improved macroeconomic policies, structural reforms, and capacity increases in oil producing countries such as Angola and the Republic of Congo have underpinned the continued momentum in economic activity. In South Africa, real GDP growth during 2005 was higher at 4.9 per cent as compared to 4.5 per cent growth in 2004, supported by increased domestic demand and exports. In Nigeria, real GDP growth strengthened to 6.9 per cent in 2005 from 6.0 per cent in 2004, due to expansion in both oil and non-oil sectors. In Egypt, economic activity gained momentum with a real GDP

growth of 5.0 per cent in 2005, as compared to 4.1 per cent in 2004, underlined by export growth and rebound in domestic demand. In countries such as Ethiopia, Mozambique and Sierra Leone, reforms boosted economic activity with strong GDP growth. In the Maghreb region, real GDP growth stood at 4.1 per cent during 2005 as compared to 5.1 per cent during the previous year, primarily due to subdued economic activity in Morocco. In the CFA franc zone, real GDP growth slowed down to 4.1 per cent in 2005 as compared to 7.7 per cent in 2004, primarily due to weakness in cotton markets. For the region as a whole, while conducive macroeconomic policies and progress with structural reforms have improved economic prospects, further reforms would be called for to strengthen and improve the investment environment and infrastructure and foster private sector-led growth. Further, efforts would need to be directed towards increasing investment in human capital, making labour markets more flexible, and also accelerating progress under the African Peer Review Mechanism initiated under the New Partnership for Africa's Development.

In the Middle East, increased oil export revenues arising from continued high global oil prices have boosted



Exim Bank extended a Line of Credit (LOC) to the Government of Equatorial Guinea under the Government of India's Team-9 initiative. The LOC is earmarked for financing exports from India for a potable water plant project in Equatorial Guinea. The LOC Agreement was signed by the Hon'ble Mr. Jose Esono Micha, Vice-Minister for Foreign Affairs, on behalf of the Government of Equatorial Guinea.

economic growth in the oil exporting economies in the region. As a result, real GDP growth for the region strengthened to 5.9 per cent during 2005 as compared to 5.4 per cent during the previous year. Growth in the non-oil producing countries has also benefited from the continued expansion in the oil exporting countries, aided by domestic reforms. Further, despite strong domestic demand, inflation in the region has generally remained moderate due to prudent fiscal policies. In Saudi Arabia, real GDP growth increased to 6.5 per cent in 2005 from 5.2 per cent during the previous year, supported by both oil and non-oil sectors, while in Iran real GDP growth stood at 5.9 per cent in 2005 as compared to 5.6 per cent registered in the previous year supported by high oil revenues, recovery in agriculture and strong performance of the manufacturing sector. Elsewhere in the region, real GDP growth increased to 5.2 per cent in 2005 in Israel, as compared to 4.4 per cent registered in the previous year, underpinned by strong private consumption growth as also increased earnings from the tourism sector.

In Latin America, growth momentum was sustained during 2005, albeit at a lower level, after the sharp recovery witnessed during 2004. Real GDP growth moderated to 4.3 per cent in

2005, as compared to the 5.6 per cent growth in the previous year. In the Mercosur region, real GDP growth stood at 4.2 per cent in 2005, as compared to the 6.0 per cent growth registered during the previous year. While economic activity remained strong in Argentina and Chile with real GDP growth of 9.2 per cent and 6.3 per cent, respectively, during 2005, growth momentum slowed down sharply in Brazil with a real GDP growth of 2.3 per cent in 2005 as compared to 4.9 per cent in 2004, due to subdued domestic demand and softening in investment. In the Andean region, economic activity remained buoyant with a combined real GDP growth of 6.3 per cent in 2005, as compared to 7.8 per cent during the previous year. Strong macroeconomic policy and rising demand in Colombia and Peru, coupled with continued strong growth in Venezuela sustained overall economic activity in the region. In the Central American region, real GDP growth was sustained at 3.8 per cent in 2005, as compared to 3.9 per cent during 2004, supported by increased prices of export commodities and continued rise in remittances. In Mexico, however, economic activity slowed down during 2005 with a real GDP growth of 3.0 per cent as compared to the 4.2 per cent growth in 2004, primarily due to the weaker performance of the

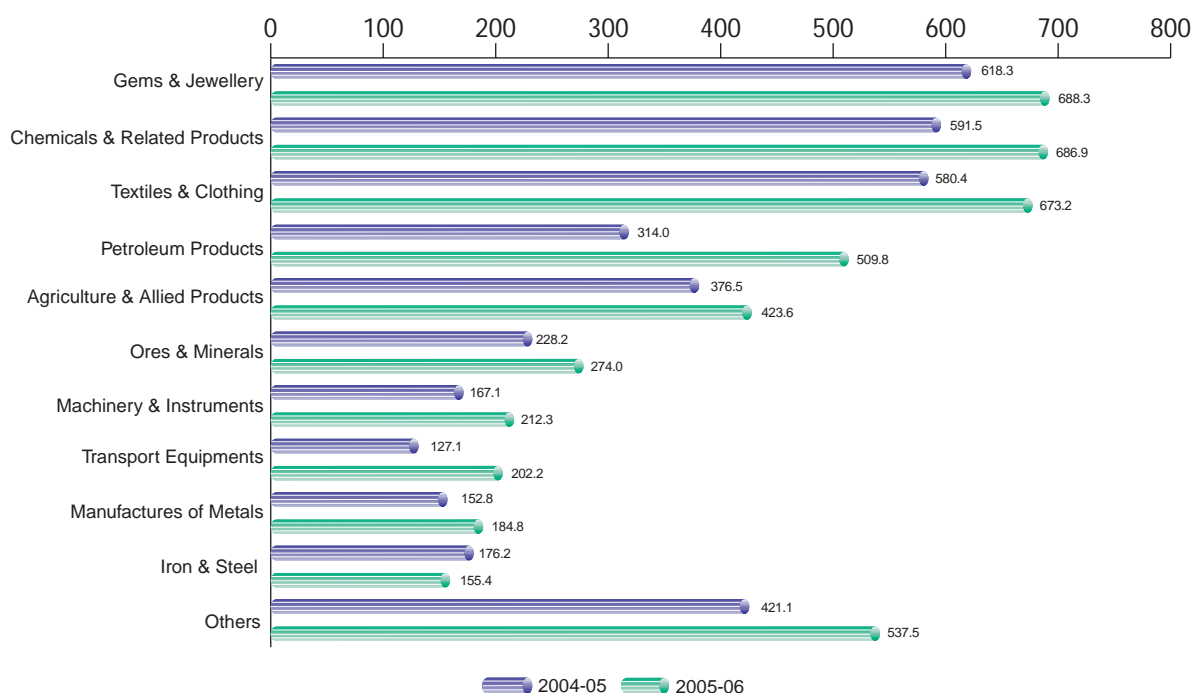
agriculture sector and slowdown in manufacturing sector growth.

In the CIS region, economic activity moderated during 2005, driven by slowdown in growth in Russia and Ukraine, among others. For the region as a whole, real GDP growth stood at 6.5 per cent in 2005, as compared to the robust 8.4 per cent registered during the previous year. In Russia, sluggish investment and lower output growth in the oil and manufacturing sectors constrained economic activity, with a resultant real GDP growth of 6.4 per cent in 2005, as compared to 7.2 per cent in 2004. In Ukraine, slowdown in export demand coupled with weak growth in investment led to sharp deceleration in real GDP growth to 2.6 per cent in 2005, as compared to the 12.1 per cent registered during the previous year. Further, in Kazakhstan, real GDP growth moderated to 9.4 per cent in 2005, from a growth of 9.6 per cent in 2004, due to lower output growth in the energy sector. Elsewhere in the region, however, real GDP growth remained strong in most countries, supported by improved agricultural production in Georgia, increased oil production in Azerbaijan, and strong remittance inflows and good harvest in Armenia.

In Central and Eastern Europe, real GDP growth remained strong

Composition of India's Merchandise Exports

(Rs. in bn)



in the Czech Republic and Slovak Republic, while in Bulgaria and Romania, growing domestic demand arising from rising wage incomes and credit growth boosted overall economic growth in 2005. Economic activity also remained strong in the Baltic countries, supported by positive macroeconomic policies and structural reforms.

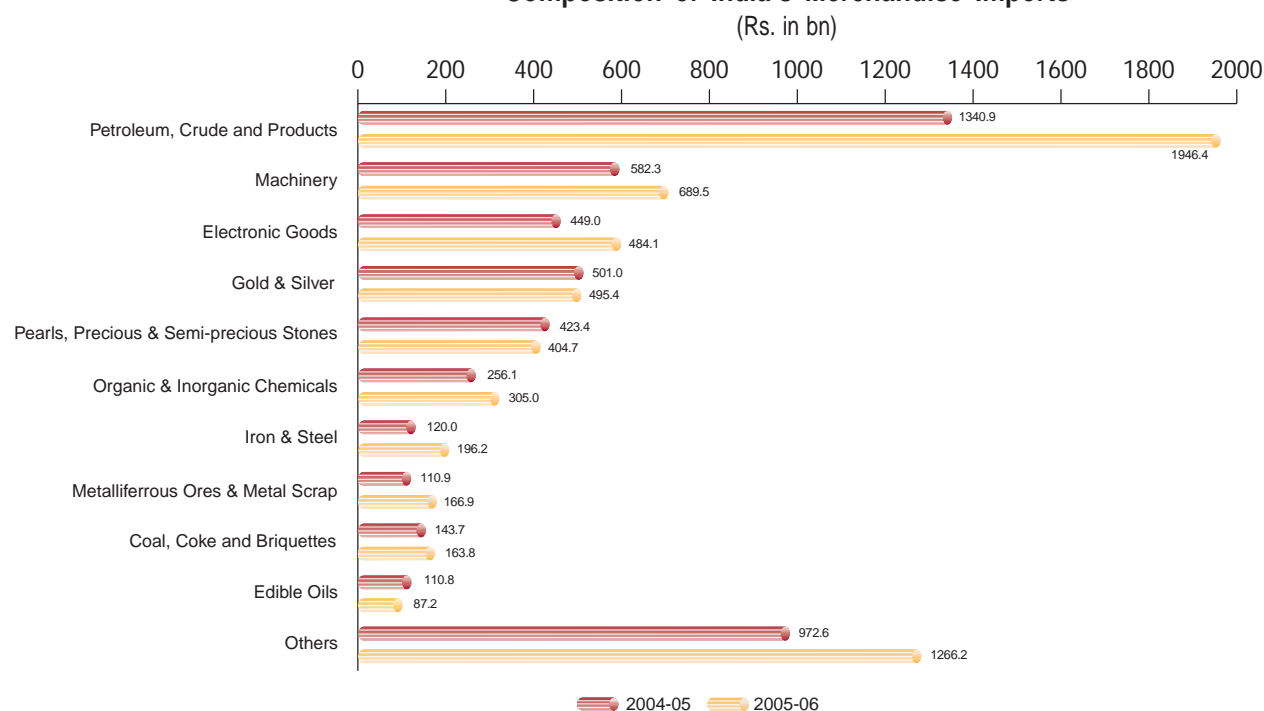
World Trade

Reflecting the trend in global economic activity, and the lower rise in prices of manufactures and primary commodities in international markets, world exports registered a lower growth of 13.6 per cent during 2005, as

compared to the sharp 21.4 per cent rise during the previous year. World exports amounted to US\$ 10,171 bn during 2005, up from US\$ 8,952 bn during 2004. Global prices of manufactures registered a lower rise of 4.5 per cent in 2005, as compared to 9.6 per cent in 2004, while in the case of primary commodities, the rise in global prices at 10.3 per cent in 2005 was a sharp deceleration from the 18.5 per cent rise registered during the previous year. In the case of oil, however, global prices remained high, with a significant rise of 41.3 per cent during 2005, as compared to the rise of 30.7 per cent during the previous year.

In terms of volume, world trade registered a growth of 7.2 per cent during 2005, as compared to 10.7 per cent growth registered during the previous year, and is projected to increase to 8.0 per cent in 2006. Both advanced as well as emerging and developing economies registered slowdown in the rate of growth of trade. In the case of the advanced economies, the volume growth of exports stood at a lower 5.1 per cent during 2005, as compared to that of 8.5 per cent during 2004, while in the case of emerging and developing economies, the volume growth of exports at 10.8 per cent during 2005 was a slowdown from the previous year's

Composition of India's Merchandise Imports



growth of 14.4 per cent. A similar downward trend was also registered in the volume growth of imports by both advanced economies and emerging and developing economies during 2005.

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

Net private capital flows to emerging economies increased from US\$ 329.3 bn in 2004 to an estimated US\$ 399.6 bn in 2005. A sharp rise in portfolio investments and commercial bank lending accounted for the bulk of the increase in net capital flows to emerging economies. While emerging economies in Europe, Latin America and Africa and Middle East accounted

for the rise in net private capital flows, emerging economies in Asian and Pacific region registered a decline during 2005.

Reflecting the increased attention of global investors to prospective EU accession countries like Romania and Turkey, net private capital flows to emerging economies in Europe rose sharply from US\$ 121.0 bn in 2004 to an estimated US\$ 172.7 bn in 2005, thereby accounting for the bulk of the rise in total net private capital flows to emerging economies during 2005. In the case of emerging economies in Latin America, net private capital flows rose from US\$ 29.1 bn in 2004 to an estimated US\$ 50.1 bn in 2005, while net private capital flows to emerging economies

in Africa and Middle East also increased from US\$ 10.6 bn to US\$ 29.1 bn during the same period. In the case of emerging economies in Asia and Pacific, however, net private capital flows declined from US\$ 168.6 bn in 2004 to an estimated US\$ 147.7 bn in 2005, due to slowdown in both net direct investments and commercial bank lending.

The combined current account surplus of emerging economies increased to an estimated US\$ 231.9 bn in 2005, from that of US\$ 144.2 bn during the previous year. This, in turn, can be attributed to the sharp rise in the current account surplus of emerging economies in the Asia-Pacific region,

which increased from US\$ 117.9 bn in 2004 to an estimated US\$ 170.6 bn in 2005. For emerging economies in Latin America, the current account surplus rose from US\$ 21.7 bn in 2004 to an estimated US\$ 34.7 bn in 2005, while for emerging economies in Africa and Middle East, the current account surplus increased from US\$ 6.0 bn to an estimated US\$ 7.2 bn during the same period. In the case of emerging economies in Europe, the current account registered a surplus of an estimated US\$ 19.4 bn in 2005, in contrast to a deficit of US\$ 1.4 bn during the previous year.

External debt, as a proportion of exports of goods and services, for emerging markets and developing economies declined from 97.3 per cent in 2004 to 82.1 per cent in 2005. For emerging markets and developing economies in Latin America, external debt, as a proportion of exports of goods and services, was the highest at 142.3 per cent in 2005, followed by Central and Eastern Europe (109.3 per cent), Africa (91.2 per cent), CIS (86.1 per cent), Middle East (63.4 per cent), and Asia (54.2 per cent). Debt service payments for emerging markets and developing economies also declined from 15.4 per cent in 2004 to 14.8 per cent in 2005.

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

INDIAN ECONOMY

During the year 2005-06*, the Indian economy registered an estimated robust growth rate of 8.4 per cent, as compared to 7.5 per cent during the previous year, reflecting sustained momentum in economic activity. Increased activity in the manufacturing sector and continued buoyancy in the services sector, aided by a pick up in the agriculture sector, boosted overall growth during 2005-06.

Agriculture

After registering a sharp slowdown of 0.7 per cent during 2004-05, the agriculture sector witnessed a pick up with an estimated growth of 3.9 per cent during 2005-06. Near-normal distribution of rainfall pattern during the year and resultant

rise in foodgrains production contributed to the pick up in the agriculture sector. Foodgrains production is estimated to be higher at 209.3 mn tonnes during 2005-06, as compared to 204.6 mn tonnes during the previous year.

Industry

The industrial sector registered continued strong performance, with an estimated growth of 8.0 per cent during 2005-06, as compared to the 8.4 per cent growth in the previous year, underpinned by increased activity in the manufacturing and electricity sectors. The manufacturing sector continued to register a strong growth of 9.0 per cent during 2005-06 as compared to 9.2 per cent growth during the previous year, while the electricity sector registered a growth of 5.1 per cent during



'Nick's Drugs', a drug store in New Jersey, USA which has been acquired by Natco Pharma Limited, a Hyderabad based company, to serve as an outlet for generic drugs. The acquisition was financed by Exim Bank under its overseas investment finance programme.

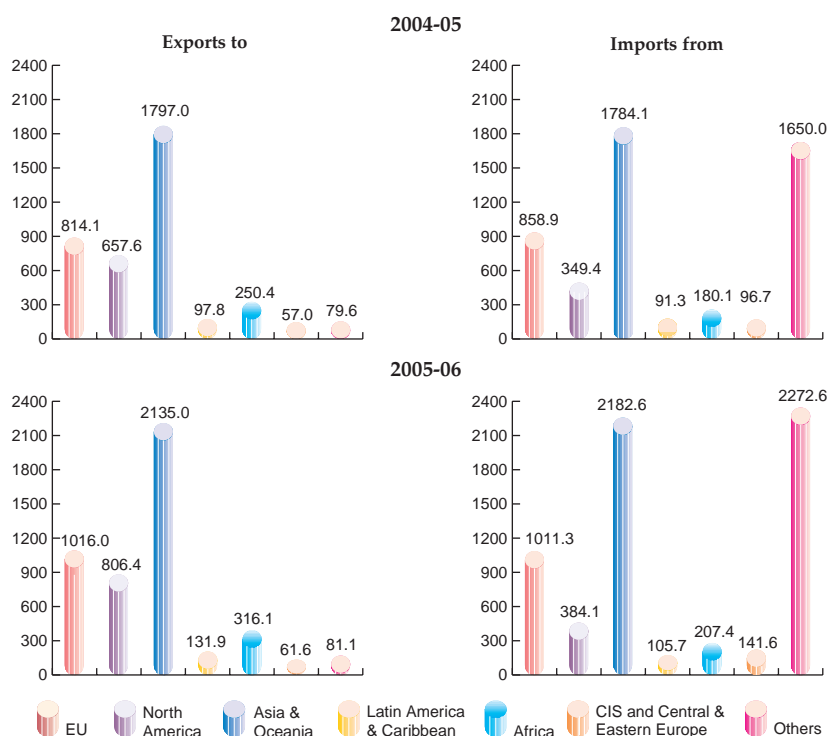
2005-06, as compared to 5.2 per cent during 2004-05. The mining sector, however, registered a sluggish growth of 0.7 per cent during 2005-06, as compared to 4.4 per cent growth during the previous year.

According to the use-based classification, the capital goods sector exhibited strong growth of 15.5 per cent during 2005-06, as compared to 13.9 per cent registered during the previous year. The consumer durables sector also registered a sharp rise of 14.6 per cent during 2005-06, followed by consumer non-durables sector (11.0 per cent), basic goods sector (6.6 per cent), and intermediate goods sector (2.3 per cent).

Of the 17 industrial sub-groups in the manufacturing sector, seven sectors registered growth rates of 10 per cent and above during 2005-06. These were beverages and tobacco, textile products (including wearing apparel), non-metallic mineral products, basic metals and alloy industries, machinery and equipment (other than transport equipment), transport equipment and parts, and other manufacturing industries. Four sectors, viz. wood and wood products, paper and paper products, leather and leather products, and metal products and parts, registered negative growth during the year.

Direction of India's Merchandise Trade

(Rs. in bn)



Infrastructure

The six infrastructure and core industries, viz. crude petroleum, petroleum refinery products, coal, electricity, cement, and finished steel, registered a combined growth of 4.9 per cent during 2005-06, as compared to 5.8 per cent growth during the previous year. During 2005-06, cement registered a sharp growth of 12.3 per cent, followed by finished steel (6.5 per cent), coal (6.4 per cent), electricity (5.1 per cent), and petroleum refinery products (2.1 per cent). Crude petroleum, however, registered a decline of 5.3 per cent during the year.

Capital Markets

Net investment by Foreign Institutional Investors amounted to US\$ 9.3 bn during 2005-06, as compared to US\$ 10.2 bn during 2004-05. New capital raised from the primary market amounted to Rs. 273.0 bn from 138 issues during 2005-06, as compared to Rs. 282.5 bn from 60 issues during 2004-05.

Inflation

The rate of inflation, on a point-to-point basis, based on Wholesale Price Index, stood at 4.0 per cent as at end-March 2006,

as compared to 5.1 per cent as at end-March 2005. Growth in money supply (M3) stood at 20.4 per cent during 2005-06, as compared to 12.1 per cent during 2004-05.

Foreign Trade and Balance of Payments

During 2005-06, India's merchandise exports registered a continued sharp rise of 24.7 per cent, in US dollar terms, as compared to the rise of 26.4 per cent during the previous year. In absolute terms, India's merchandise exports touched the US\$ 100 bn mark to amount to US\$ 100.6 bn during 2005-06, rising from the level of US\$ 80.7 bn during 2004-05. Software exports, which are

not included in merchandise exports, have also exhibited sustained buoyant growth of 31.3 per cent during 2005-06 amounting to an estimated US\$ 23.9 bn, up from US\$ 18.2 bn in 2004-05. The continued buoyancy in exports can be attributed to increased activity in the domestic economy and sustained external demand. Export items which registered high growth during 2005-06 include processed foods, ores and minerals, basic chemicals and pharmaceuticals, machinery and instruments, transport equipments, non-ferrous metals, readymade garments, and petroleum products.

Imports registered a rise of 31.5 per cent during 2005-06 to amount to US\$ 140.2 bn, from

US\$ 106.6 bn during the previous year. The sharp rise in the oil import bill along with buoyancy in non-oil imports contributed to the rise in overall imports. Oil imports stood at US\$ 43.8 bn during 2005-06, registering a growth of 46.8 per cent, as compared to the growth of 45.2 per cent during the previous year. Reflecting the buoyancy in domestic manufacturing activity, non-oil imports rose by 25.6 per cent during 2005-06 to US\$ 96.4 bn. Import items which registered high growth during 2005-06 include fertilisers, metalliferous ores and metal scrap, iron and steel, non-electrical machinery, medicinal and pharmaceutical products, manufactures of metals and cotton yarn and fabrics. The trade deficit during 2005-06 was higher at US\$ 39.6 bn, as compared to US\$ 26.0 bn during the previous year.

During 2005-06 (April-December), net inflows of invisibles amounted to US\$ 28.1 bn, as compared to US\$ 31.2 bn during the previous year. India's services exports amounted to US\$ 41.2 bn during 2005-06 (April-December), as compared to US\$ 46.0 bn during 2004-05. The current account deficit stood at US\$ 13.5 bn during 2005-06 (April-December), as compared to



A state of the art fuel ethanol plant in Colombia, incorporating the latest in instrumentation and automation, executed with Exim Bank's support as a turnkey project by Praj Industries Ltd., a technocrat promoted company located in Pune. Attached to a sugar mill, the plant will process cane juice and molasses for production of ethanol.

the deficit of US\$ 5.4 bn during 2004-05.

Foreign direct investment inflows during 2005-06 (April-February) amounted to US\$ 5.97 bn, as compared to US\$ 5.65 bn during the previous year. Total foreign exchange reserves stood at US\$ 151.6 bn as at end-March 2006, representing about 13 months of import cover.

India's total external debt increased from US\$ 111.7 bn as on end-March 2004 to US\$ 123.2 bn as on end-March 2005, but declined thereafter to US\$ 119.2 bn as on end-December 2005. The proportion of short-term debt to total external debt increased from 4.0 per cent as on end-March 2004 to 6.1 per cent as on end-March 2005, and further to 7.5 per cent as on end-December 2005.

Outlook for Select Sectors

Textiles and Garments

The textiles and garments industry is one of the largest and most prominent sectors of the Indian economy, in terms of output, foreign exchange earnings and employment generation. With the elimination of quota restrictions, the Indian textile and garments industry is likely to benefit substantially. Exim Bank's research paper has estimated that world exports of textiles and garments are likely to cross US\$ 800 bn by 2014 and India is expected to garner a share of around 9 per cent (US\$ 70 bn), from the present (2004-05) level of 3 per cent (US\$ 12.6 bn). Though China is slated as the principal beneficiary in the post quota regime, Indian capabilities in terms of designs and

fashion skills would position this sector comfortably in the high value cotton garments segment.

Drugs and Pharmaceuticals

India is one of the top manufacturers of bulk drugs in the world and among the top 20 pharmaceutical exporters. The 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 & Development cost), a strong manufacturing base, well established network of laboratories with R&D infrastructure, strong marketing and distribution network and competence in chemistry and process development.

With the new patent regime in place, Indian pharmaceutical companies are in the process of upgrading their manufacturing facilities, besides obtaining international regulatory approvals from institutions of repute, like the Food and Drug Administration of USA. It is estimated that global pharmaceutical sales in 2005 amounted to US\$ 602 bn. It is further estimated that biological products accounted for 27 per cent of active research and development in the pipeline and 8.7 per cent of global



A window display of 'qs', a UK based retail chain. 'qs' and 'bewise' are UK based retail chains owned by Hamsard 2353 Limited. Mumbai based Alok Industries Ltd., with Exim Bank support, has acquired a strategic equity stake in Hamsard to serve as a retail outlet for its products.

pharmaceutical sales in 2005. World exports of pharmaceutical products were at US\$ 247 bn in 2004. New opportunities are likely to emerge from innovation in biotechnology. India, with its growing biotechnology sector, has the potential to ride the biopharmaceutical wave in the near future.

Auto-components

The Indian auto-components sector has evolved into a global supplier. The entry of multinational auto majors into India, following liberalisation, has made the industry highly skill intensive and quality conscious. India is now recognised as a hub for auto-component designing, manufacturing and outsourcing. The industry is rapidly achieving global competitiveness both in terms of cost and quality. It is estimated that the cost of auto designing in India is less than one-twelfth of that in Europe and USA. Similarly, the cost of manufacturing is expected to be less than one-tenth of that in USA.

It is estimated that the world auto-component industry is likely to reach US\$ 1.9 trn by 2015, of which about 40 per cent (US\$ 700 bn) is likely to be outsourced to developing countries like India. According to a study, the Indian auto-component industry is likely to record high growth

and reach US\$ 40 bn by 2015, from the present level of around US\$ 8.7 bn. Another study has evaluated this sector and viewed India as a principal source in terms of quality products.

Food Processing

The processed food industry in India constitutes 14 per cent of manufacturing GDP with a market size of over Rs. 2 trn. India has a significant level of production of various agricultural products and provides indigenous availability of raw materials for food-processing. India stands at first position in production of milk, second in production of fruits and vegetables and third in production of fish, in the world. World exports of food products were at US\$ 627 bn in 2004. The share of processed foods in the global food trade has increased over the last 20 years from nearly 50 per cent to about two thirds of the global food trade, and the trend is accelerating. The subsidy reduction commitments by WTO members, particularly the USA and EU, will lead to the emergence of newer opportunities for export of Indian food products in the near future. According to the Draft 'Vision Documents' of the Ministry of Food Processing Industries, India has the potential to achieve a 3 per cent share in global trade of agricultural and food products by 2015. The role

of the food processing industry becomes critical not only to achieve this level but also to ensure fair prices to farmers and an increase in their income levels.

Chemicals

The Indian chemical industry is one of the important constituents of the Indian economy with a turnover of US\$ 30 bn. The industry has a share of about 14 per cent in the Index of Industrial Production, about 18 per cent in total manufacturing output and about 14 per cent in national export revenue. Global trade in chemicals, other than pharmaceuticals, was at US\$ 729 bn in 2004. The volume of trade is expected to grow further. The developed countries are phasing out the production of many chemicals, due to high labour cost. Developing countries like India could take advantage to enhance the capacity to cater to the growing world market. India's per capita consumption of chemicals is also poised for growth in the near future. The application of chemicals for diverse use in a wide range of sectors is also another factor for anticipating future growth in this industry.

Engineering goods

The global economic performance would stimulate demand for industrial machinery, principally in the

developing countries. According to the Central Statistical Organisation, Government of India, the engineering goods sector has witnessed positive growth in 2005-06. Export of engineering goods has also been witnessing an accelerating trend with exports reaching a level of US\$ 14.7 bn in 2004-05, a CAGR of 26 per cent, since 2000-01. During 2005-06, exports of engineering goods amounted to US\$ 19.2 bn, with a sustained buoyant growth of 24.6 per cent over the corresponding period of the previous year. With a strong economy and increasing demand for capital goods, Indian engineering firms are expected to create capacity addition. Indian engineering companies have also been actively exploring setting up capacities abroad and making global acquisitions.

Electronics

The Indian electronics industry is one of the fastest growing sectors of the economy. The major segments of electronic production include consumer electronics, computers, industrial electronics and electronic components. Production in the Indian electronics industry has grown at a CAGR of over 12 per cent in the last five years. Exports by the electronics industry were valued at US\$ 2.24 bn in 2005-06. The export orientation of the

industry is estimated at about 17 per cent. It is estimated that the Indian electronics industry is projected to reach US\$ 70 bn by 2010. Over two-thirds, or US\$ 45 bn, is slated for domestic demand, of which 80 per cent is likely to be manufactured domestically. The remaining US\$ 25 bn is estimated to be exports. About half of the export revenue is expected to come from OEM supplies and assemblies. India has the potential to develop and manufacture electronics and IT hardware for the global markets and gain higher global share in trade, besides meeting the country's future requirements in the converging areas of information, communication and entertainment. The industry could leverage upon the formidable brand equity achieved by the Indian software industry in the global markets.

Petroleum Products

The Indian petroleum products sector is witnessing an upsurge in exports since 2000-01. Exports of petroleum products have not only grown in volume, but have also scaled up to take a place in the list of the top five export items of India. India ranks sixth in the world in terms of energy demand. Oil contributes to approximately 30 per cent of total energy consumption in India. According to India Vision 2020,

demand for energy in India by 2020 would triple from the present requirements. In addition, the demand for petroleum products from neighbouring Asian markets is also expected to grow. Indian companies are expected to take advantage of their strategic leadership in refining expertise and increase their refining capacities. The increasing crude oil prices have driven Indian companies to scout for overseas energy resources. Indian companies have also realised the potential of integration (upstream and downstream) in order to achieve economies of scale and sharpen their competitiveness.

Policy Environment

The roadmap for India's international trade, set in place by the Foreign Trade Policy 2004-2009 (FTP 2004-2009), envisages doubling of India's percentage share in global merchandise trade by 2009, and effective contribution to overall economic development with thrust on employment generation.

Towards this end, the Special Economic Zones (SEZs) Act 2005 and Special Economic Zones (SEZs) Rules 2006, made effective from February 10, 2006, are envisaged to enhance export production and investment while also leading to employment generation in the SEZs. The SEZ Rules have, inter

alia, provided for significant simplification of procedures and single window clearance for matters relating to setting up of SEZs, units in SEZs, and also matters relating to Central and State Governments. Further, the annual supplement to the FTP 2004-2009 announced in April 2006 has introduced a number of measures for identifying and nurturing special focus areas which would generate additional employment opportunities particularly in semi-urban and rural areas.

With India emerging as a high-potential destination for investment, various measures have been effected to enhance investment inflows which include: FDI upto 100 per cent under the automatic route permitted in petroleum product marketing, oil exploration in both small and medium-sized fields and petroleum product pipelines; FDI upto 51 per cent permitted in retail trade of 'Single Brand' products, with prior approval of the Government; FDI permitted in the equity capital of Asset Reconstruction Companies (ARCs) registered with the Reserve Bank of India. With a view to allow banks in India to augment their capital, Foreign Institutional Investors (FIIs) registered with the Securities and Exchange Board of India (SEBI) and

Non-Resident Indians (NRIs) have been allowed to subscribe to Tier I and Tier II instruments issued by banks in India.

With a view to promoting Indian investment abroad and to enable Indian companies to reap the benefits of globalisation, the ceiling on overseas investment has been raised from 100 per cent to 200 per cent of the net worth of the investing company, under the automatic route. Further, to enable recognised star exporters with proven track record and consistently high export performance to reap the benefits of globalisation, proprietary/unregistered partnership firms have been allowed to set up joint ventures/wholly owned subsidiaries outside India.

In line with the policy of reducing customs duties, under the Union Budget for 2006-07, the peak rate of customs duty on non-agricultural products has been reduced from 15.0 per cent to 12.5 per cent. Customs duty on alloy steel and primary and secondary non-ferrous metals has been reduced from 10.0 per cent to 7.5 per cent, while customs duty has been reduced from 15.0 per cent to 5.0 per cent for mineral products, and from 5.0 per cent to 2.0 per cent for ores and concentrates. Customs duty on

inorganic chemicals has been reduced from 15.0 per cent to 10.0 per cent, and from 10.0 per cent to 5.0 per cent for major bulk plastics. Further, customs duty on packaging machines has been reduced from 15.0 per cent to 5.0 per cent, while customs duty on all man-made fibres and yarns has been reduced from 15.0 per cent to 10.0 per cent.

To enhance credit flow to small and medium enterprises (SMEs), banks have been advised to treat units with investment in plant and machinery in excess of the small scale industries (SSI) limit (Rs. 10 mn) and upto Rs. 100 mn as medium enterprises (MEs), to formulate liberal and comprehensive policies for extending loans to the SME sector, and to ensure presence of specialised SME branches in identified clusters/centres. With a view to facilitate capacity expansion and technological upgradation in the Indian textile units after phasing out of the Multi-Fibre Arrangement (MFA), banks have been allowed to issue guarantees or standby letters of credit in respect of external commercial borrowings raised by textile companies for modernisation or expansion of textile units.

India: Fast Forward
(Major Policy Changes in 2005-06)

- Banks advised to treat units, with investment in plant and machinery in excess of the small scale industries (SSI) limit (Rs. 10 mn) and upto Rs. 100 mn, as medium enterprises (MEs)
 - Banks to formulate liberal and comprehensive policies for extending loans to the SME sector; to ensure presence of specialised SME branches in identified clusters/centres
 - Banks allowed to issue guarantees or standby letters of credit in respect of external commercial borrowings raised by textile companies for modernisation or expansion of textile units
- Credit Policy**
- The SEZ Act 2005 and SEZ Rules 2006, made effective from February 10, 2006, provide for significant simplification of procedures, and single window clearance for matters relating to setting up of SEZs, units in SEZs, and also matters relating to Central and State Governments
 - Peak rate of customs duty on non-agricultural products reduced from 15.0 per cent to 12.5 per cent
 - Customs duty on a number of raw materials and intermediates, including alloy steel and primary and secondary non-ferrous metals, mineral products, ores and concentrates, inorganic chemicals, and all man-made fibres and yarns reduced. Customs duty on packaging machines also reduced.
- Trade Policy**
- FDI upto 100 per cent under the automatic route permitted in petroleum product marketing, oil exploration in both small and medium-sized fields and petroleum product pipelines
 - FDI upto 51 per cent permitted in retail trade of 'Single Brand' products, with prior approval of the Government
 - FIIs and NRIs allowed to subscribe to Tier I and Tier II instruments issued by banks in India.
- FDI Policy**
- Ceiling on overseas investment raised from 100 per cent to 200 per cent of the net worth of the investing Indian company, under the automatic route.
 - Proprietary / unregistered partnership firms have been allowed to set up joint ventures / wholly owned subsidiaries outside India.
- 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, 2006.

REVIEW OF OPERATIONS

During 2005-06 (April-March), the Bank approved loans aggregating Rs. 204.89 bn under various lending programmes as against Rs. 158.53 bn in the year 2004-05 (April-March), registering a growth of 29 per cent. Disbursements during the year were Rs. 150.39 bn as against Rs. 114.35 bn during 2004-05, representing 32 per cent growth. Loan assets as on March 31, 2006 were Rs. 180.28 bn, registering an increase of 34% per cent over the previous year. During the year, the Bank approved guarantees aggregating Rs. 43.26 bn as against Rs. 15.89 bn in 2004-05. Guarantees issued amounted to Rs. 21.96 bn as against Rs. 16.60 bn in 2004-05. Guarantees in the books of the Bank as on March 31, 2006 were Rs. 34.02 bn as against

Rs. 23.73 bn as on March 31, 2005. Rupee loans and advances accounted for 60 per cent of the total loan assets as on March 31, 2006 while the balance 40 per cent were in foreign currency. Short-term loans accounted for 30 per cent of the total loans and advances. The Bank registered profit before tax of Rs. 3.77 bn on account of General Fund during 2005-06 as against a profit of Rs. 3.14 bn for the year 2004-05. After providing for income tax of Rs. 1.06 bn, profit after tax amounted to Rs. 2.71 bn during 2005-06 as against Rs. 2.58 bn during 2004-05. Out of this profit, Rs. 867.50 mn accounts for dividend to the Government of India (GOI). A provision of Rs. 121.70 mn has been made for tax on distributed profit by way of dividend. An amount of Rs. 428.14 mn is transferred to Reserve Fund. In addition, the Bank has transferred Rs. 50 mn to Investment Fluctuation Reserve, Rs. 100 mn to Sinking Fund and Rs. 500 mn to Special Reserve u/s 36(1)(viii) of the Income Tax Act,

1961. Profit before tax of the Export Development Fund during 2005-06 was Rs. 19.21 mn as against Rs. 17.08 mn during 2004-05. After providing for tax of Rs. 6.47 mn, the post tax profit amounted to Rs. 12.74 mn as against Rs. 10.83 mn during 2004-05. The profit of Rs. 12.74 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.



The Bank's Board of Directors meeting in progress for approval of financial results for the year.

I. PROJECTS, PRODUCTS AND SERVICES EXPORTS

Export Contracts

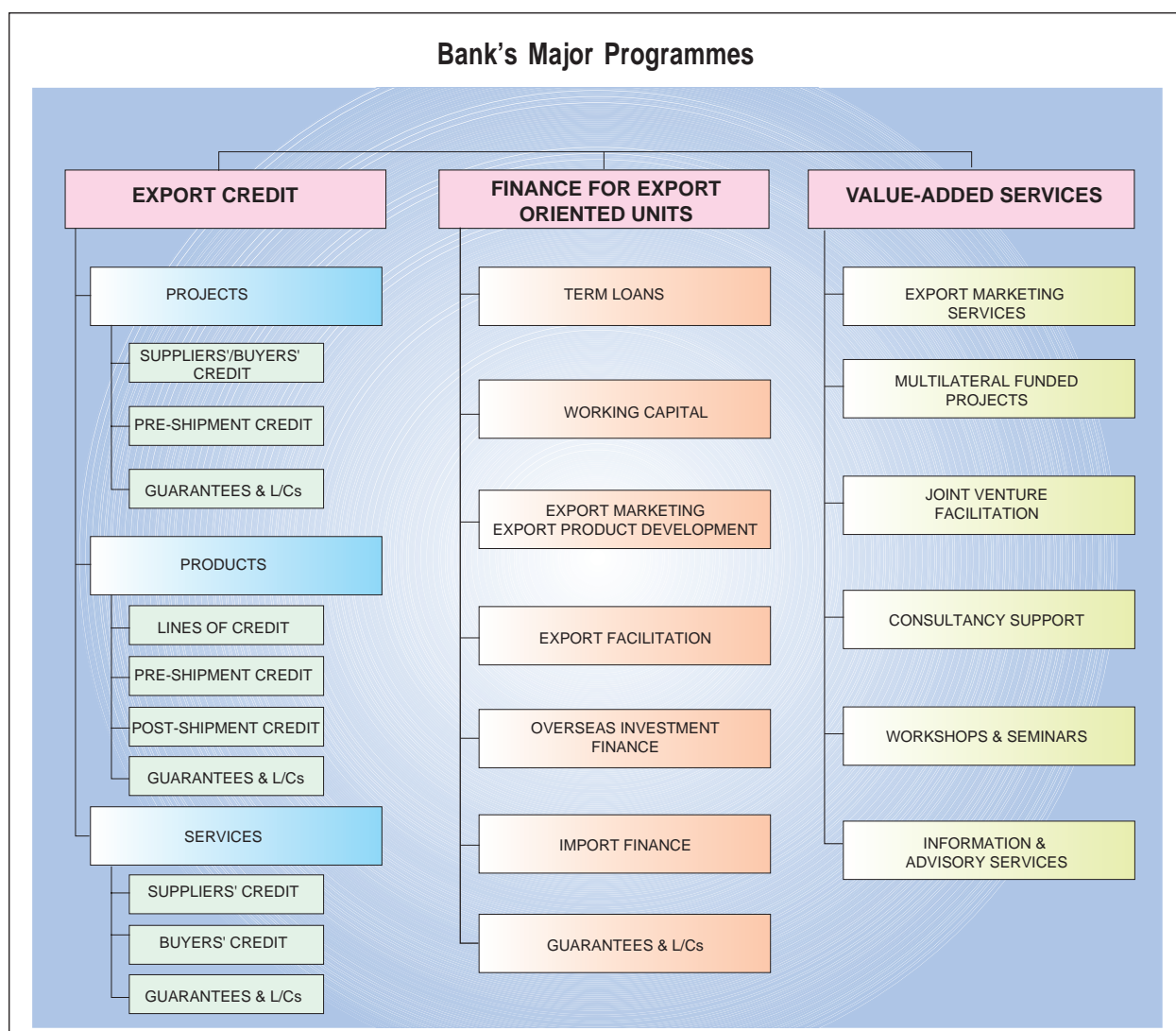
During the year, five hundred and sixty eight contracts amounting to Rs. 135.30 bn covering sixty four countries, were secured by one hundred and seventy four Indian exporters with Exim Bank's support, as against five hundred and seventy

contracts worth Rs. 79.45 bn covering sixty four countries, secured by one hundred and ninety eight Indian exporters during the previous year. Exim Bank / Working Group¹ accord clearance to such export contracts.

The contracts secured during the year with Exim Bank's support consisted of fifty two turnkey contracts valued at Rs. 87.71 bn, nine construction contracts valued at Rs. 6.63 bn, four

hundred and ninety-one supply contracts valued at Rs. 38.51 bn and sixteen consultancy contracts valued at Rs. 2.45 bn.

Some major turnkey contracts secured during the year included 500 MW steam based power plant and 2000 TPD cement plant in Sudan; 378 MW gas turbine based power plants in Oman; substations projects in Qatar; lubricant base oil plant in



¹ 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.

Malaysia; high voltage transmission line projects in Algeria, Ethiopia and Libya; distribution network projects in Afghanistan and Ethiopia; electro-mechanical and plumbing works for commercial complexes in UAE; plant for manufacture of concrete sleepers in Mozambique; LPG bullets for a nickel mine and processing plant in Australia; supply and installation of reactors and separators for a refinery project in USA; and supply and installation of thick wall stainless steel vessels for a refinery project in UK.

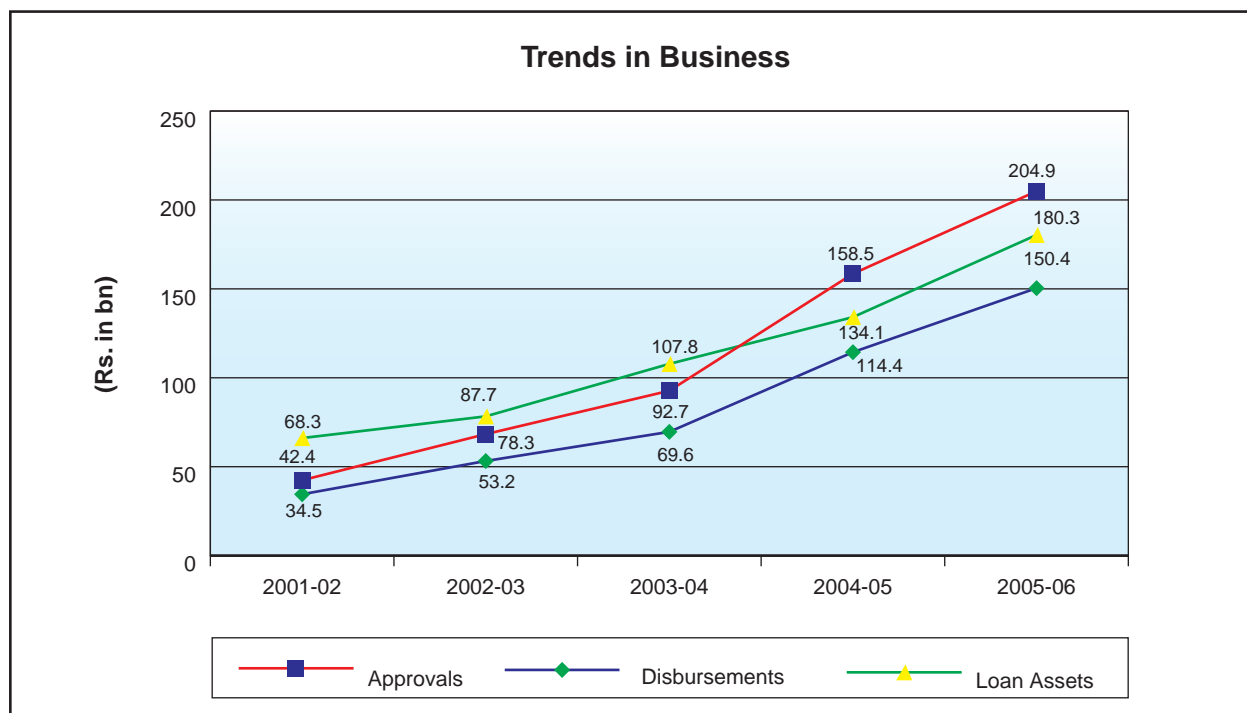


Construction contracts included construction of buildings and commercial complexes in UAE, construction of a cricket stadium in Guyana, reconstruction of roads and alteration and refurbishment of the

British Council building in Afghanistan and construction of the Canadian Chancery in Bangladesh.

Supply contracts secured during the year included export of defence

products and petroleum products to Sri Lanka, pharmaceuticals, textiles, gems and jewellery, industrial products and fine chemicals to countries in America, Europe and South East Asia,



automobiles and auto components to countries in Africa, and agri-products to West Asian and South East Asian countries.

Some of the major technical consultancy and services contracts included rehabilitation and adaptation of refinery projects in Algeria; charter hire of diesel locomotives to Malaysia; charter hire of offshore drilling rigs to Iran; contract for providing onshore and offshore oil field development services in Iran; project management consultancy for tank farm upgradation facilities in UAE.

Export Credits and Guarantees

During the year, Bank approved loans aggregating Rs. 104.39 bn by way of suppliers' credit, buyers' credit, and finance for project exports as against Rs. 62.14 bn during the previous year, which exhibits 68 per cent rise

in approvals during the year. Disbursements amounting to Rs. 87.85 bn were made during the year, as compared to Rs. 53.45 bn during the previous year, an increase of 64 per cent.

Guarantees approved and issued during the year amounted to Rs. 43.26 bn and Rs. 21.96 bn respectively, as against Rs. 15.89 bn and Rs. 16.60 bn 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.

Lines of Credit

The Bank has placed special emphasis on extension of Lines of Credit as an effective market entry mechanism with particular focus on small and medium enterprises. Exim

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

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

During the year, the Bank extended twenty LOCs, aggregating US\$ 836 mn, to support export of projects, goods and services from India. LOCs extended by Exim Bank during the year include LOCs to BMCE Bank, Morocco; Absolut Bank, Russia; PTA Bank, Africa; East



A cricket stadium under construction in Georgetown, Guyana, by Shapoorji Pallonji and Co Ltd., Mumbai. The design and construction of this stadium, at which several matches of the World Cup 2007, will be played, has been financed by Exim Bank under a Line of Credit extended to the Government of Guyana.

African Development Bank; Bank Markazi Jomhourī Islami, Iran; Governments of Burkina Faso, Chad, Cote d' Ivoire, Congo, Equatorial Guinea, Gambia, Ghana, Mali, Niger, Senegal and Sudan; Fiji Sugar Corporation Limited. These LOCs will finance and catalyse exports of power generation plant, power distribution plant, steel billet plant, bicycle plant, tractor assembly plant, sugar plant, potable water plant and items like transport vehicles, electrical equipment for rural electrification, chemicals and pharmaceuticals and agricultural equipment, besides construction of a cricket stadium in Georgetown, Guyana. Fifty nine LOCs covering seventy-eight countries in Africa, Asia, CIS,

Europe and Latin America, with credit commitments aggregating US\$ 1,739 mn are currently available for utilisation, while a number of prospective LOCs are at various stages of negotiation.

Buyers' Credit

During 2005-06, the Bank approved loans aggregating US\$ 102.50 mn to 8 overseas buyers from various countries including Brazil, Italy, Singapore, South Africa, UAE and USA to finance exports from India to these countries. Disbursements during the period aggregated US\$ 219.56 mn. Products supported under these facilities include vehicles, PET resins, textiles, readymade garments, jewellery and pharmaceuticals.

II. BUILDING EXPORT COMPETITIVENESS

The Bank operates a range of financing programmes aimed at enhancing the export competitiveness of Indian companies. During 2005-06, Bank approved loans aggregating Rs. 80.72 bn under the programmes for enhancing export competitiveness. Disbursements amounted to Rs. 55.39 bn under these programmes.

Loans to Export Oriented Units

During the year, the Bank approved term loans of Rs. 20.27 bn to sixty-six export oriented units. Disbursements amounted to Rs. 6.42 bn.

Under Production Equipment Finance Programme, loans aggregating Rs. 5.57 bn were approved to twenty-eight exporting companies for financing acquisition of production equipment. Disbursements amounted to Rs. 3.03 bn.

Twenty-four companies were provided long term working capital loans aggregating Rs. 6.33 bn. Disbursements amounted to Rs. 4.99 bn.

Export oriented units financed by the Bank cover a wide range of sectors such as textiles, pharmaceuticals, chemicals, engineering goods, metals and metal processing, consumer goods, paper, plastics and packaging, software, auto ancillaries, shipping,

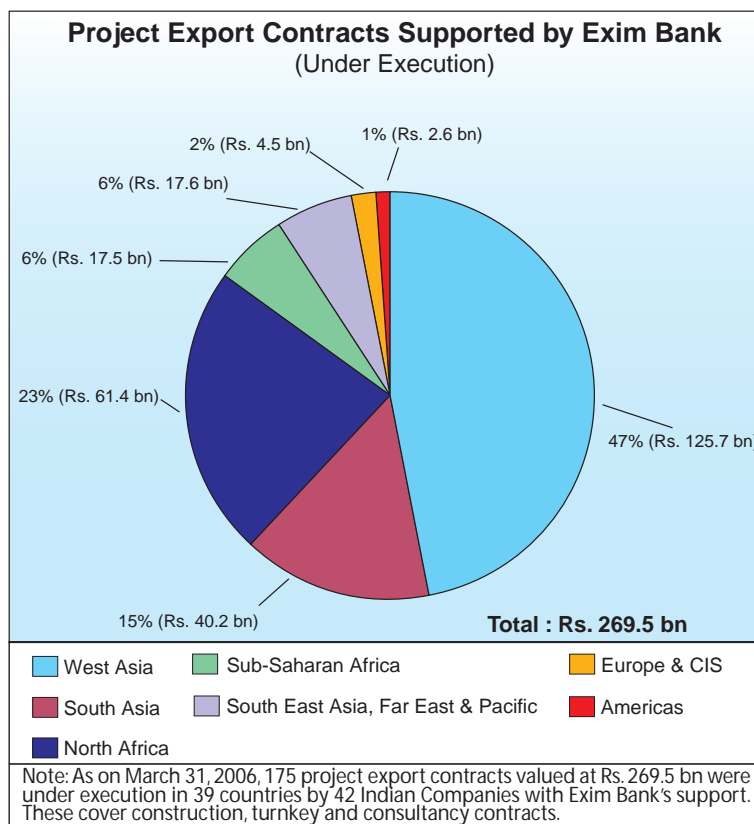


SC Bega Upsom SA, Romania, is a company engaged in the manufacture of soda ash. Gujarat based GHCL Ltd., through its Netherlands based subsidiary has acquired Bega with support from Exim Bank. Romania's scheduled accession to the EU in 2007 will give GHCL a manufacturing base within the EU.

power and industrial equipment, and agro-based products.

Technology Upgradation Fund Scheme

The Bank, as a Primary Lending Institution under the Technology Upgradation Fund Scheme (TUFS) for the Textile and Jute Industries introduced by GOI, approved loans aggregating Rs. 10.14 bn to twenty-eight companies. Disbursements aggregated Rs. 3.23 bn. Cumulative approvals under TUFS since introduction of the scheme amounted to Rs. 24.39 bn for 117 projects. Cumulative disbursements amounted to Rs. 9.94 bn. During the year, the Ministry of Textiles, Government of India, designated Exim Bank as a nodal institution under TUFS.



Overseas Investment Finance Programme

The Bank has a comprehensive programme in terms of equity finance,

loans, guarantees and advisory services to support Indian outward investment. In select cases, the Bank takes an equity position along with the Indian promoter. During the year, twenty-one corporates were provided with funded and non-funded assistance aggregating Rs. 11.32 bn for part financing their overseas investments in thirteen countries. Exim Bank has so far provided finance to 144 ventures set up by over 120 companies in 45 countries including Austria, Canada, Ireland, Italy, Mauritius, Morocco, Netherlands, Romania, Singapore, Sri Lanka, and US. Aggregate assistance extended for overseas investment amounts to Rs. 30.20 bn covering various sectors



Manufacturing facility of 'Advanta Semillas', Argentina, a company producing hybrid seeds of sunflower, corn, sorghum etc. Mumbai based United Phosphorus, with support from Exim Bank, has acquired Advanta which has similar facilities in Australia and Thailand, in addition to Argentina.

including pharmaceuticals, chemicals & dyes, computer software & IT, engineering goods, metal & metal processing and agriculture & agro-based products. Overseas investments financed by Exim Bank during the year include: acquisition of a Taiwanese company engaged in manufacture of gelatin; acquisition of soda ash facilities in Romania; acquisition of a large home textiles company in the UK; acquisition of a company in UK having a chain of retail stores selling garments and home textiles; acquisition of a company in the agriculture sector producing seeds with manufacturing facilities in Australia, Thailand and Argentina; setting up a wholly owned subsidiary in China for manufacture of printed circuit boards; acquisition of a glassware manufacturing facility in

the US; acquisition of a drug store in the US; acquisition of a company in the US providing geo-spatial mapping services; acquisition of a BPO service provider in the US. In addition, Exim Bank has also taken direct equity stakes in several overseas ventures of Indian companies, including, inter alia, acquisition of soda ash business in Romania and a turnkey project exporting company in the UAE. Equity investments approved for overseas ventures aggregated Rs. 710 mn.

Finance for Imports

During the year, the Bank approved loans aggregating Rs. 3.41 bn and Rs. 9.39 bn for import of raw materials and capital goods respectively. Disbursements during the period amounted to Rs. 3.45 bn and

Rs. 3.60 bn for import of raw materials and capital goods respectively.

Credit Monitoring Group

A Credit Monitoring Group is in place, with a well-set Loan Monitoring and Recovery Policy. Steps are being taken proactively to prevent slippage of standard assets into Non-Performing Assets through operationalisation of a system of ABC classification of loan accounts, together with a system of Early Warning Signals and monthly review of Stress Assets by a duly constituted Committee. An independent Screening Committee comprising a retired High Court Judge and two eminent personalities with rich experience in the fields of law and banking has been constituted for examining all One Time Settlement (OTS) proposals. The Committee submits its recommendations for consideration by the Board.

III. JOINT VENTURES

Global Trade Finance Limited (GTF) a joint venture, which has as its shareholders, Exim Bank; FIM Bank, Malta; International Finance Corporation, Washington and Bank of Maharashtra achieved a turnover of Rs. 28 bn and a net profit of Rs. 133 mn in 2005-06. GTF provides a wide range of receivables financing up to 180 days tenor. GTF offers factoring for export and domestic receivables with



Uravu is a non-profit trust in Kerala, which is engaged in employment generation programs by providing training to rural women belonging to disadvantaged social groups (including tribal communities) in making bamboo based craft products in rural India. Exim Bank has entered into a Memorandum of Cooperation (MOC) with Uravu to support and shore up its capabilities to develop higher-end bamboo products and access global market for its products.

credit protection. During the year, GTF has introduced Import Factoring for the first time in India. 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. 31 mn in 2005-06 with a pre-tax profit of Rs. 14 mn. GPCL secured several assignments including procurement advice for a World Bank funded project in Iran and independent procurement review assignments funded by the World Bank in Azerbaijan and Moldova. GPCL has also secured assignments

from the Governments of Guyana, Uganda and the Department for International Development (DFID) of UK. GPCL is a joint venture between Exim Bank and 13 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. GPCL has executed consultancy assignments in more than 25 countries in Asia, Africa, CIS and Latin American regions.

Exim Bank holds equity stakes inter alia in Development Bank of Zambia, West African Development Bank, African Export-Import Bank and Agricultural Finance Corporation Limited.



Subhiksha Ayurvedics a Coimbatore based firm manufactures aromatic hand-rolled incense sticks. Its proprietary flavor formulations are produced and marketed under the brand 'Agni'. Exim Bank, besides assisting Subhiksha in acquiring international market presence through its overseas network, is also extending finance for supporting its exports to Brazil and Israel.

IV. NEW INITIATIVES

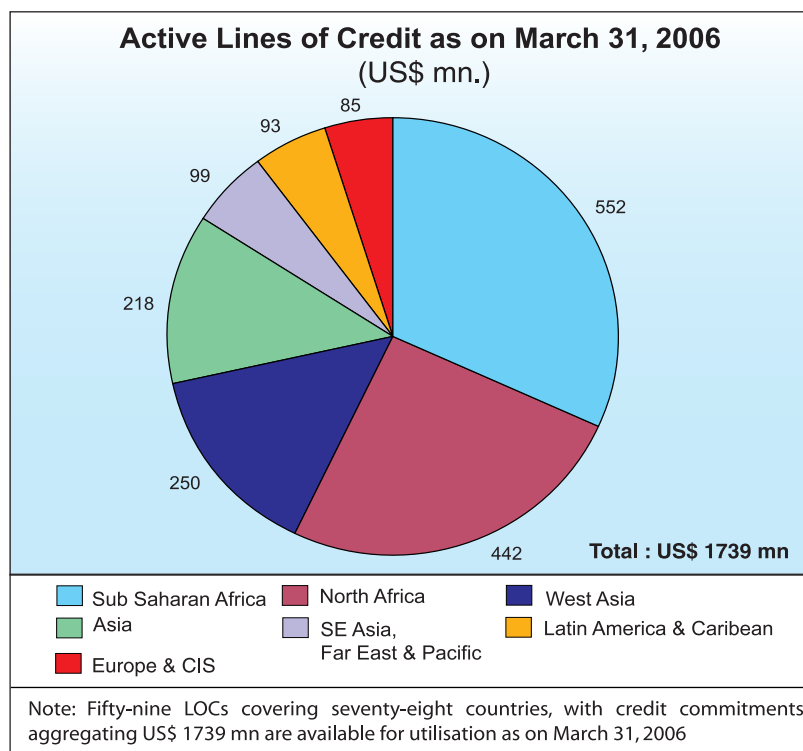
Rural and Grassroot Business Initiatives

Exim Bank supports rural enterprises. The Bank works with a number of Non-Governmental Organisations (NGO) and Self Help Groups (SHG) to identify appropriate products and form clusters of production units.

In its effort to support products from rural India, the Bank has established working partnerships with select NGOs through Memoranda of Cooperation (MoC). The Bank has partnership arrangements in place with DHAN Foundation, Madurai, a professional development organisation working for poverty reduction through capacity building; BASICS, Hyderabad, a pioneer micro-finance institution in India; Uravu, a trust based in Wayanad, Kerala engaged in development of bamboo based rural products and CARE-India, an international developmental and humanitarian organisation addressing poverty in India. The MoCs aim at promoting exports of the products made by MoC partners and their associates. The Bank has also supported BASICS towards part financing its equity investment in PNG Micro Finance Ltd., Papua New Guinea. BASICS, in association with the

Government of Rajasthan and UNDP, is involved in developing export clusters in Rajasthan including Stone Carving and Dari Cluster in Lawan, Dausa and Pottery Cluster in Basawa.

Exim Bank has also taken initiatives to coordinate business operations between various NGOs and Indian corporates. The Bank is taking an equity stake in a marketing organisation promoted by Uravu, Kerala for exporting bamboo products produced by its member units. Exim Bank has initiated discussions with handloom weavers cooperative societies in Fulia, West Bengal for marketing their products overseas. The formation of a



marketing company with equity participation by the weavers cooperative, West Bengal

Government and Exim Bank, which can take up marketing of the products, is under discussion. Further, the Bank is in discussions with not-for-profit organisations based in USA for promoting export of Madhubani Paintings from Bihar.



The Bank partnered the Commonwealth Secretariat, London and the Ministry of Small Scale Industries & Agro and Rural Industries, Government of India, in organising a series of SME Competitiveness Development Programmes. The Bank's publication on 'Export Performance of Small and Medium Enterprises in India', was released at the hands of Shri Mahabir Prasad, Hon'ble Union Minister for Small Scale Industries & Agro and Rural Industries, Government of India, at the Programme held in New Delhi.

Financing R&D and New Product Development for Pharmaceutical / Biopharma industry

The Indian pharmaceutical sector has been increasingly focusing on R&D activities. Opportunities have emerged in the areas of contract research and manufacturing and R&D outsourcing. Indian pharmaceutical / biopharma companies are also investing in research and development including

products with New Drug Delivery System for which patents are sought to be filed in regulated markets. In view of the high R&D costs involved and investment needed for a longer period of time, there is a felt need by pharmaceutical / biopharma companies for financial assistance from banks / financial institutions with longer moratorium period. Exim Bank has introduced a structured product for pharmaceutical/ biopharma companies for facilitating R&D expenditure with the aim to assist obtaining approvals in regulated pharmaceutical markets. The financing by Exim Bank will be in the form of either term loan / equity participation or a hybrid product. The return to the Bank will be in the form of premium paid at the time of bullet repayment or in the form of royalties from the commercialised /

non-commercialised regulatory approvals / IPRs.

Development of Natural Resources Abroad

There is an increasing trend in Indian companies interested in the development of natural resources in foreign geographies. Exim Bank selectively supports Indian companies in these endeavours as a means of strategic support, both by applying its own resources as well as by leveraging support by syndication and similar arrangements.

Pan-Asia Project Development Fund

The Bank is in the process of investing US\$ 10 million in the Pan-Asia Project Development Fund (PPDF) sponsored by Infrastructure

Leasing & Financial Services Ltd. and Orix Corporation, Japan. The objective is to catalyse involvement of Indian companies with project execution capabilities towards participating in infrastructure projects across Asia by providing seed capital. Countries to be covered include (apart from India) Cambodia, Indonesia, Malaysia, Philippines, Sri Lanka, Thailand and Vietnam. Exim Bank would bring in Indian companies to undertake these projects, providing funded and non-funded financial support, thereby increasing India's project exports.

International Credit Rating

During the year, the Bank tapped the Japanese market by raising JPY 23 bn by way of debut Samurai Bond issue, the first by an Indian entity in the past 15 years. Japan Credit Rating Agency Ltd. (JCRA) has conferred 'BBB' rating (i.e. on par with sovereign rating) to Exim Bank for its foreign currency long-term debts. The rating is one notch above the minimum investment grade rating given by JCRA. Exim Bank also has international credit ratings from Moody's (Baa3, 'Investment grade', stable outlook), S&P (BB+, positive outlook) and Fitch (BB+, stable outlook), on par with sovereign rating.



North East Onco Care Pvt. Ltd. is setting up a 100 bed cancer specialty hospital on the outskirts of Guwahati to serve the north eastern region of India. The hospital is being supported by Exim Bank under its Import Finance Programme for acquiring state of the art medical equipment from abroad.

Quarterly Publication : India-China Newsletter

The Bank has introduced a new publication titled "India-China Newsletter", a quarterly bilingual (English and Chinese) newsletter, which focuses on issues relating to bilateral trade and investment relations between India and China. This is a new addition to a range of publications that also includes bilingual quarterly magazines titled 'Indo-African Business', (which focuses on bilateral trade and investment between India and Africa), 'Indo-LAC Business', (covering Latin America and the Caribbean region) and 'Indo-CIS Business' (covering the CIS countries). All the publications have been well received amongst the constituents.

V. FINANCIAL PERFORMANCE

Resources

As at March 31, 2006, the Bank's total resources including paid-up capital of Rs. 9.50 bn and reserves of Rs. 17.70 bn aggregated Rs. 187.29 bn. Exim Bank's resource base includes bonds, certificates of deposit, commercial paper, term loans and foreign currency deposits/borrowings/ long term swaps. During the year, the Bank raised borrowings of varying maturities aggregating to Rs. 78.86 bn comprising rupee resources of Rs. 43.84 bn and foreign currency resources of US\$ 785 mn equivalent. Market borrowings as on March 31, 2006 constituted 80 per cent of the total resources. During the year, the Bank received share capital of Rs. 1 bn from the Government of India, as a result of

which the Bank's paid-up capital increased to Rs. 9.50 bn as on March 31, 2006. Foreign currency resources raised during the year included JPY 23 bn by way of Samurai bond issue (bonds issued in the domestic Japanese market by foreign issuers) which is the first such offering from India in the past 15 years. Foreign currency resources of US\$ 590 mn equivalent were raised through bilateral / club loans. As on March 31, 2006, the Bank had a pool of foreign currency resources equivalent to US\$ 1.87 bn.

The Bank's debt instruments continued to enjoy the highest rating viz. 'AAA' rating from the rating agencies, CRISIL and ICRA. As on March 31, 2006, outstanding Rupee borrowings including bonds and commercial papers amounted to Rs. 118.25 bn.

The Bank obtained BBB rating, which is one notch above investment grade rating, from the Japan Credit Rating Agency (JCRA) in August 2005. The Bank also has international credit ratings from Moodys (Baa3, 'Investment Grade', stable outlook), Fitch (BB+, stable outlook) and S&P (BB+, positive outlook), on par with sovereign rating.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at

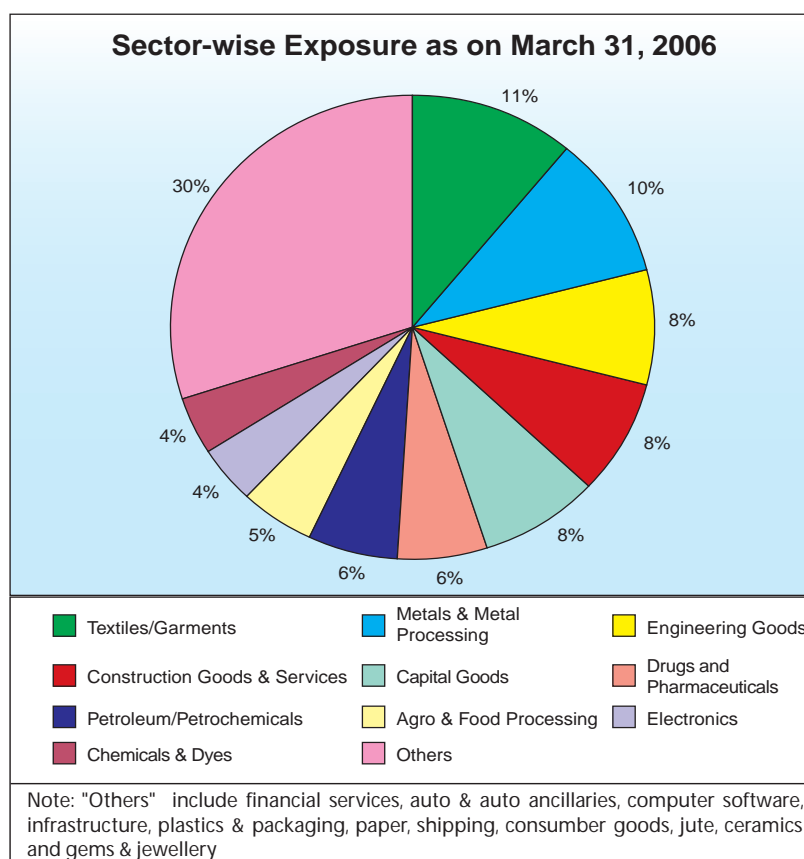


The Bank has a close working relationship with the African Development Bank. Seminars on opportunities available to Indian companies to participate in African Development Bank funded projects were organised in New Delhi and Pune. Ms. Aud Marit Wiig, Executive Director for India at the African Development Bank, speaks at the programme held in New Delhi.

Rs. 3.77 bn and Rs. 2.71 bn, respectively during the year 2005-06, as compared to the previous year's PBT and PAT of Rs. 3.14 bn and Rs. 2.58 bn, respectively. Business income comprising interest, discount, exchange, commission, brokerage and fees during 2005-06 was Rs. 10.36 bn as compared to Rs. 7.44 bn in 2004-05. Investment income, interest on bank deposits etc. during 2005-06 was Rs. 4.22 bn as compared to Rs. 3.79 bn in 2004-05. Interest expenditure in 2005-06 at Rs. 10.28 bn was higher by Rs. 2.86 bn mainly due to an increase in the borrowings. Non-interest expenses worked out to 4.83 per cent of total expenses during 2005-06 as against 8.21 per cent during 2004-05. The average cost of borrowings (interest expenditure as a per cent of average borrowings) increased from 5.68 per cent as at March 31, 2005 to 6.25 per cent as at March 31, 2006, due to firming up of interest rates in the market.

Capital Adequacy

The Capital to Risk Assets Ratio (CRAR) was 18.42 per cent as on March 31, 2006, as compared to 21.58 per cent as on March 31, 2005, due to substantial business expansion during the year. The ratio is still well above the minimum 9 per cent norm stipulated by RBI. The Debt-Equity Ratio as on March 31,



2006 was 5.68:1, as compared to 4.56:1 as at March 31, 2005.

Exposure Norms

Reserve Bank of India (RBI) has prescribed credit exposure limits for all-India term lending institutions, at 15 per cent of the financial institutions' capital funds, effective from March 31, 2002, for exposure to individual borrowers and at 40 per cent for group borrowers. An additional exposure upto 5 per cent (i.e. a total exposure upto 20 per cent of capital funds of the Financial Institution for Single Borrowers and 45 per cent of capital funds for Borrower Groups) can be taken in

exceptional circumstances, with the prior approval of the Board. The exposure ceilings for individual borrowers and borrower groups can be exceeded by an additional five percentage points (i.e. 5 per cent of total capital funds) and ten percentage points (i.e. 10 per cent of total capital funds), respectively (over and above the maximum limits of 20 per cent and 45 per cent respectively), provided the additional credit exposure is on account of infrastructure projects.

The Bank's credit exposures to single and group borrowers as at March 31, 2006 were within the limits

stipulated by RBI. RBI has advised Financial Institutions to adopt internal limits on exposures to specific industry sectors so that the exposures are evenly spread over various sectors. The industry exposure limits for the Bank are 15 per cent of the Bank's total exposure on all industrial sectors, except in the case of textiles for which it is 20 per cent. The Bank's exposure to any single industry sector was not more than 11 per cent of its total exposure as at March 31, 2006.

Treasury

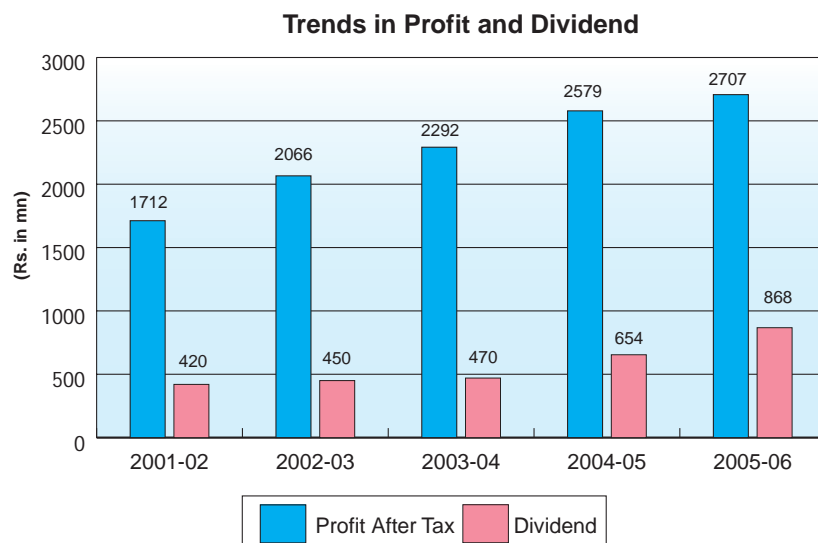
The Bank's integrated treasury handles fund management functions including investment of surplus funds, money market operations and securities trading. The Bank has segregated front/middle/back office functions and has set up a state-of-the-art dealing-room. The range of products offered by the

Bank's treasury to its borrowers include foreign exchange deals, collection/negotiation of export documents, issuance of inland/foreign letters of credit/guarantees, structured loans etc. The Bank 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.

Asset-Liability Management (ALM)

During the financial year 2005-06, the role of the Bank's Asset Liability Management Committee (ALCO) was redefined to focus on the broad aspects pertaining to liquidity/interest rate risks as per the comprehensive ALM / Liquidity policies approved by the Board. The role of ALCO includes, inter-alia, reviewing the Bank's currency-wise structural liquidity and interest-rate sensitivity positions vis-à-vis prudential limits prescribed by the RBI / Board, monitoring results of periodical stress testing of cash flows and initiating steps based on the quantum of interest-rate risk as measured through assessment of sensitivity of net-interest income to interest rate movements and sensitivity of economic value using duration-gap analysis. Value-at-risk is computed for the trading portfolio of GOI securities. During FY 2005-06, a separate Fund Management Committee (FMC) was constituted for deciding on the investments / disinvestments and raising of borrowings / resources as per the Resources / Fund Management Plan approved by the Board at the beginning of each financial year. The Audit Committee of the Board reviews the functioning of ALCO / FMC and



the Management Committee of the Board of Directors also oversees the functioning of ALCO / FMC.

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 Fund 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. During the year, the Bank engaged a consultancy firm to undertake an independent audit of the risk management framework. The audit exercise found the Bank's risk management framework to be robust and made recommendations for further improvement. These recommendations are being implemented. The Bank has also set in place a Business Continuity and Disaster Recovery Plan which is periodically reviewed.



The Hon'ble Union Finance Minister, Shri P. Chidambaram, visits the Exim Bank stall at the 'Empowering India : Info Expo Karaikudi' showcasing a range of rural products and handicrafts produced by local artisans. The Expo was attended by a large number of existing and prospective entrepreneurs, NGOs, technologists, researchers, government officials and national level leaders.

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 NPAs (net of provisions) worked out to 0.59 per cent of its loans and advances (net of provisions) as at March 31, 2006, as compared to 0.85 per cent as at March 31, 2005.

Asset Classification

'Sub-standard assets' are those where interest and/or principal remains overdue for more than 90 days. However, where the sub-standard assets have remained as an NPA for a period exceeding 12 months, the assets are classified as 'doubtful assets.' 'Loss assets' are those which are considered uncollectable. Out of net NPAs at 0.59 per cent of net loans and advances as at March 31, 2006, sub-standard assets worked out to 0.59 per cent, while doubtful and loss assets have been fully provided for.

Internal Audit

The Internal Audit function of the Bank is overseen by the Audit Committee (AC) of the Board of Directors. The AC meets at least six times in a year. The 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.

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, Bank provided a range of services to Indian companies. For example, information on importers of CNC (Computer Numerically Controlled) components and equipment in Australia, major world exporters and importers of aluminium oxide, and data on India's exports / imports of alumina calcined, were provided to exporters. The Bank also prepared a report on the Indian food sector for the International Trade Centre (ITC), Geneva, for a programme on Intra-Asian Buyer Seller and Networking Meet at Bangkok, Thailand.



Tata buses providing public transport in Dakar, Senegal. The export of 350 Tata buses is financed under a Line of Credit extended by Exim Bank to the Government of Senegal. The Line of Credit has been extended under the New Partnership for Africa's Development (NEPAD).

Multilateral Funded Projects Overseas (MFPO)

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

Export Marketing Services for Indian Companies

The Bank provided assistance to several Indian companies, to enable them establish their products in overseas markets through its Export Marketing Services, starting from identification of prospective business partners to facilitating placement of final orders.

The Bank has secured confirmed orders for a medium sized Indian natural stone export firm from reputed Hungarian companies importing natural stone products. Negotiations are on for export of grey material and printed fabric to a Hungarian importer. A company in Austria is examining the possibility of import of polypropylene bags from an Indian manufacturer / exporter. Orders are

expected to be generated shortly from the USA and UK for export of traditional gift items and incense sticks. Negotiations are on, through Bank's facilitation, for a select group of IT companies that are exploring the Kenyan market in particular, and the African market in general, for marketing their IT and ITES products and services. As part of its initiative to help rural and grassroot enterprises to access overseas markets, Bank procured orders for a NGO for export of bamboo pens to UK and incense sticks to Singapore.

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 the setting up of an Export-Import Bank in Zimbabwe. The Bank prepared a blueprint with a set of recommendations for setting up of an Exim Bank in Zimbabwe. The recommendations of the Bank

have been well received and are in the process of implementation. In the past, the Bank has provided consultancy services to RBZ to help set up an Export Credit Guarantee Company in Zimbabwe.

The Agriculture and Processed Food Products Export Development Authority, New Delhi has commissioned the Bank to conduct a study on Export Credits / Credit Guarantees and Insurance Programmes focusing on select agri and food products. The study aims to compare the export credit / guarantee facilities, programmes, instruments available to exporters of identified agriculture products in India with those of USA, Canada, European Union, Japan and Australia. The study further aims to suggest ways and means by which the programmes in India could be more supportive.

Seminars and Workshops

The Bank organised a number of focused 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 Conclave (with particular focus on West Africa). Conferences were organised in association with the

Commonwealth Secretariat on Small Business Competitiveness Development, at Chennai and New Delhi.

Eximius Centre for Learning

During the year, the Bank's Eximius Centre for Learning conducted 31 programmes. These included four country / region specific business opportunities seminars, covering Hong Kong, Australia and CIS region. A seminar on Development of Domestic Consulting Services was conducted in Hyderabad and Chennai, in association with Asian Development Bank and Consultancy Development Centre, New Delhi. Another seminar on 'Business Opportunities in Asian Development Bank Funded Projects' was organised at New Delhi and Hyderabad, in association with Asian Development Bank.

A series of Round Table Meets on 'Overseas Investment Opportunities with MIGA' was organised at Mumbai, New Delhi, Bangalore and Chennai, in association with Multilateral Investment Guarantee Agency of the World Bank Group. The Centre organised two workshops and an interactive session in collaboration with Centre for Promotion of Imports from Developing Countries, the Netherlands. The workshop on 'International Negotiations and Contracting' was held in Hyderabad,

Mumbai and New Delhi. Another workshop on 'Marketing of Handicrafts and Decorative Items to Europe' was held in Jaipur, New Delhi and Shillong. The interactive session on 'Opportunities for Export of Electronic Products to the EU' was held in Bangalore. An interactive session was also held with international delegates under a training programme coordinated by the National Institute of Small Industry Extension and Training.

In addition, the Centre conducted seminars / workshops such as Managing Exports, Imports, Customs, Foreign Exchange under Globalisation and WTO Regime; Total Packaging of Food, Personal Care, Pharmaceuticals and Nutraceutical Products; Quality Standards for Export of Food Products; Entrepreneurship Development; Quality Standards and Certification for Export of Agri Products; Quality Standards and Certification for Export of Agricultural / Food Products; Export Procedures and Documentation; Effective Communications and Cross Cultural Skills; and Improvement of Packaging and Quality Standards of Bamboo Products.

Participation in Overseas Trade Fairs

With a view to promote international trade and strengthen economic linkages, the Bank participated and

showcased its products and services in the 'Made in India Show', Johannesburg, South Africa, organised by the Confederation of Indian Industry. The Bank also participated in the 'India Initiative 2005' organised by Indo-Polish Chamber of Commerce in Warsaw, Poland.

VII. INSTITUTIONAL LINKAGES

Exim Bank of India 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.

The Bank has entered into a Memorandum of Understanding (MOU) with the United Nations Conference on Trade and Development (UNCTAD), to formalise cooperation in furthering South-South trade. Mr. Supachai Panitchpakdi, Secretary General, UNCTAD signed the MOU on behalf of UNCTAD.

The Bank entered into Memoranda of Cooperation (MOC) with National Bank for Foreign Economic Activity, Uzbekistan, and Instituto de Credito Oficial, Spain. The Bank also signed MOCs with Export-Import Bank of USA and Export-Import Bank of

Nigeria. The Bank has also enhanced its MOC with the Banco Nacional de Comercio Exterior, Mexico.

MOCs to further cooperation and to provide support to SMEs have also been entered into by the Bank with SME Bank of Sri Lanka, Industrial Development Bank of Sudan, Caribbean Association of Industry and Commerce, Serbian Investment and Export Promotion Agency, and Banque de Financement des Petites et Moyennes Entreprises, Tunisia. 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 has signed MOCs with major Indian commercial banks such as Bank of Baroda, Bank of India, Oriental Bank of Commerce, UCO Bank and United Bank of India. The MOCs seek to promote cooperation and business relationship between the organisations in several areas. These include providing co-financing support for goods and services to be exported from India.

The Bank has also entered into MOCs with rural developmental organisations and research centers like DHAN Foundation, BASICS, CARE – India, Uravu Indigenous Science & Technology Study Centre and Jawaharlal Nehru University.

Asian Exim Banks Forum

Exim Bank of India hosted the 11th Annual Meeting of Asian Exim Banks Forum in Goa during October 5-7, 2005. The theme of the meeting was 'Promoting Regional Cooperation Through Trade Financing'. The meeting was attended by the nine member institutions viz. India, Australia, China, Indonesia, Japan, Korea, Malaysia, Philippines, Thailand, with Asian Development Bank, Manila, the multilateral financing institution, as a permanent invitee. KfW (Germany), BNDES (Brazil), OECD (Paris), UNCTAD (Geneva) and SME Bank and Central Bank (Sri Lanka) participated as observers. The Forum, conceived and

initiated by Exim Bank of India in 1996, seeks to provide a mechanism for participating countries to enter into a process of dialogue while providing an opportunity for cooperation.

The Forum discussed a wide range of topics including the growing importance of the Asian region in international trade and investment and underlined the unique and important role played by Asian Exim Banks in enhancing economic cooperation among different countries. The Forum also deliberated on the role of Asian Exim Banks in financing and developing SMEs who represent a dynamic segment through their contribution to national economic growth, employment generation and

exports. The Forum considered regional export financing mechanisms under the auspices of the Asian Development Bank. Considering the linkages between trade and investment, the Forum also deliberated on the role that Exim Banks can play in facilitating two-way investment flows.

On the occasion, Exim Bank of India and Exim Bank of Thailand signed a Bilateral Guarantee Facility Agreement for US\$ 50 mn. Exim Bank of Thailand also signed a Bilateral L/C Confirmation Facility Agreement with Exim Bank of Malaysia. The technical launch of the Asian Exim Banks portal developed by Exim India was also effected at the Forum.



Exim Bank of India hosted the 11th Annual Meeting of the Asian Exim Banks Forum in Goa, in October 2005. The Forum deliberated on the role of Asian Exim Banks in financing and developing SMEs, regional export financing mechanisms, facilitating two-way FDI flows and natural disaster management.

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

At the joint initiative of UNCTAD and the Bank, a Global Network of Exim Banks and Development Financial Institutions (G-NEXID) was launched in March 2006 in Geneva. G-NEXID seeks to promote in particular South-South Trade and Investment by providing a common platform for Exim Banks and Development Financial Institutions.

G-NEXID was initiated in June 2004 in Rio de Janeiro, Brazil, during meetings held in preparation for the UNCTAD XI conference, followed by the signing of a Memorandum of Understanding in March 2005 by the five Exim Banks and Development Financial Institutions present, viz. Export-Import Bank of India,

African Export-Import Bank, Andean Development Corporation (Venezuela), Export-Import Bank of Malaysia and Export-Import Bank of Slovak Republic.

G-NEXID will deliberate upon measures to foster long-term relationship amongst members, share experience and strengthen financial cooperation to promote trade and investment. Such cooperation is expected to reduce the costs of trade between developing nations, spurring investment across borders and making financing more readily available to new and innovative businesses and enabling the growth of “niche markets”. The network will also allow developing countries to share effective practices for entering new markets, financing non-traditional goods and services, and establishing risk-sharing methods for investments.



The Global Network of Exim Banks and Development Finance Institutions (G-NEXID), was launched on March 13, 2006 at UNCTAD Headquarters, Geneva, in the presence of Dr. Supachai Panitchpakdi, Secretary General of UNCTAD. Exim Bank also signed a Memorandum of Understanding (MOU) with UNCTAD on cooperation in the domain of trade and commodity finance.

ADFIAP Development Award

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Development Award recognises and honours ADFIAP member institutions, which have assisted projects that have created a development impact in their respective countries. Awards are given to member institutions, which have implemented or enhanced outstanding and innovative development projects during the year. The Bank has been conferred the 2006 ‘Trade Development Award’ during the 29th ADFIAP Annual Meeting held in Colombo, Sri Lanka. The Award is in recognition of the Bank’s programme for supporting village and rural industries that pro-actively creates an enabling environment for small and micro enterprises in the rural and village hinterlands of India, to explore newer geographies outside India, leveraging effectively upon the Bank’s extensive institutional and trade promotion linkages, and its support and financing programmes.

The Bank was previously conferred this award in 2002, 2004 and 2005.

Award for Business Excellence

The Bank, in association with CII, has instituted an Annual Award for Business Excellence for best Total Quality Management (TQM) practices adopted by an Indian company. The

award is based on the European Foundation for Quality Management (EFQM) model.

In the past, only four companies, viz. Hewlett Packard India Limited (1997), Maruti Udyog Limited (1998), Tata Steel (2000) and Infosys Technologies Limited (2002) had received the award. In 2005, the award was given to Tata Motors Limited (Commercial Vehicles Business Unit). Six companies were commended by the jury for significant achievement in their journey towards Business Excellence. These were Bharat Heavy Electricals Limited (BHEL), (Heavy Electrical Equipment Plant), Haridwar; BHEL (High Pressure Boiler Plant), Tiruchirapalli; Larsen and Toubro Ltd. (ECC Division), Chennai; JSW Steel, Bellary; National Thermal Power Corporation Ltd. (National Capital Power Station), Dadri and Jay Bharat Maruti Ltd., New Delhi. The jury also commended 32 corporates for their strong commitment to TQM.

VIII. INFORMATION TECHNOLOGY

The Bank continued its initiatives in business and technology alignment. Systems were supported and upgraded in various areas including Planning and Budgeting, Country Analysis, Industry Analysis, Risk Measurement and Analysis; Bank-

wide system; specialised packages for Trade Finance, Treasury and Asset Liability Management. The systems in these areas cover strategic planning, internal servicing, customer interface and online tracking.

The Bank's portal (www.eximbankindia.in) has been enhanced to cater to the needs of various stakeholders. Among other things, the website disseminates information 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. The Bank has launched several initiatives to support the SME sector. A special section has been dedicated to SMEs on the Bank's website. This section also provides leads to various resources for growth of SMEs.

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, and

relevant events of the Bank. The features also include a moderated message-board, a chat facility, and a buy and sell platform.

IX. RESEARCH AND ANALYSIS

The International Economic Development Research Annual (IEDRA) Award was instituted by the Bank in 1989. The objective of the Award is to promote research in international economics, trade and development, and related financing, by Indian nationals at universities and academic institutions in India and abroad. The Award consists of a sum of one hundred thousand rupees and a citation. The winner for the year 2005 is Dr. Rashmi Banga, Economist, UNCTAD-India Programme, for her thesis titled "The Nature, Pattern and Impact of Japanese and US Foreign Direct Investments in Indian Manufacturing".

Six Occasional Papers were published by the Bank during the year: Essays on Globalisation and Wages in Developing Countries; Select West African Countries: A Study of India's Trade and Investment Potential; GCC Countries: A Study of India's Trade and Investment Potential; Indian Leather Industry: Perspective and Export Potential; Sector Study on Petroleum Products; and Floriculture: A Sector Study.

During the year, Bank also published three working papers covering the following topics: Vanilla and its Potential in India; FDI Flows and Investment Policies in India and Select Asian Countries: A Comparative Analysis; and Export Performance of Small and Medium Enterprises in India.

Exim Bank's Commencement Day Annual Lecture series, instituted in 1986 to commemorate commencement of Bank's business, has earned recognition as an important milestone in contributing to the debate and discussions on contemporary trade and development issues impacting global economy. The Commencement Day Annual Lecture for the year 2006 was delivered by Sir Suma Chakrabarti, Permanent Secretary, Department for International Development (DFID), United Kingdom, on the topic "Role of the State in Trade and Development."

X. HUMAN RESOURCES MANAGEMENT

As on March 31, 2006, the Bank had a total staff of 200 in its service including 147 professional staff, comprising engineers, economists, bankers, chartered accountants, business school graduates, legal and language experts, library and documentation experts and personnel and computer specialists. The

professional team is supported by Administrative Officers. The Bank aims at continuous upgradation of skills of its officers. During 2005-06, 135 officers attended training programmes and seminars including overseas programmes, on a variety of subjects relevant to the Bank's operations. Programmes included industrial and project finance, international trade finance, financial derivatives, asset liability and treasury management, risk management and Basel II, documentary credits, agri and food business management, environmental governance, bio safety, SME financing, export marketing, NPA management and recovery strategies, information systems audit and IT risk management, e- financing, country risk analysis, negotiation skills, managing human skills in organisation, finance for non-finance officers, communication and leadership skills.

XI. PROGRESS IN IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

The Bank's efforts for accelerating the use of Hindi for official purposes received recognition from various authorities: (i) State Level Banker's Committee (O.L.), Pune constituted under the auspices of Department of Official Language, Ministry of Home Affairs, Government of India has

awarded the First Prize to the Bank's Head Office for commendable performance in implementing Hindi among all Financial Institutions for the year 2004-2005; (ii) Bank Nagar Rajbhasha Karyanvayan Samiti, Mumbai, constituted under the auspices of Dept. of Official Language, Ministry of Home Affairs, has awarded the Second Prize to the Bank's Head office for commendable performance in implementing Hindi among all Financial Institutions, for the year 2004-2005; (iii) The Bank's Kolkata office received Certificate of Merit from Bank Nagar Rajbhasha Karyanvayan Samiti, Kolkata for best performance in implementing Hindi during the year 2004-05; (iv) The Bank's New Delhi office received Merit Certificate from Bank Nagar Rajbhasha Karyanvayan Samiti, New Delhi for outstanding performance achieved in implementing Hindi during 2004-05.

During 2005-06, 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. Loan Agreements were translated into 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, twenty five 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.

In pursuance of Government's directives, a Hindi fortnight commencing from September 1, 2005 was celebrated. On this occasion, special issue of Eximius namely 'Vishwa Hindi Visheshank' was published. 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, financing, 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 200 in its service, as on March 31, 2006, has 27 Scheduled Caste, 19 Scheduled Tribe and 17 Other Backward Class staff members. The Bank provided training in computers and other areas to these staff members. The 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 the Bharathidasan Institute of Management, Tiruchirapalli.



Exim Bank has been conferred for the fourth time, the 'Trade Development Award' of the Association of Development Financing Institutions in Asia and the Pacific. The Award is in recognition of the Bank's programme for supporting village and rural industries.



Balance Sheet as at
March 31, 2006
and
Profit & Loss Account
for 2005-06



Exim Bank pays Rs. 867.50 mn as dividend to the Government of India. Shri Pawan Kumar Bansal, Hon'ble Minister of State for Finance receives the cheque from Shri T. C. Venkat Subramanian, Chairman & Managing Director, Exim Bank.

Balance Sheet

as at 31st March, 2006

Liabilities		This Year (As at 31.03.2006)	Previous Year (As at 31.03.2005)
	Schedules	Rs.	Rs.
1. Capital	I	9,499,918,881	8,499,918,881
2. Reserves	II	17,703,125,302	16,624,988,097
3. Profit & Loss Account	III	867,500,000	654,400,000
4. Notes, Bonds & Debentures		126,727,279,450	98,972,004,153
5. Bills Payable		—	—
6. Deposits	IV	454,043,000	82,080,000
7. Borrowings	V	32,908,645,250	21,063,644,411
8. Current Liabilities & Provisions for contingencies		10,869,399,593	8,455,936,633
9. Other Liabilities		2,370,712,989	2,568,805,796
Total		201,400,624,465	156,921,777,971

Contingent Liabilities

(i) Acceptances, Guarantees, endorsements & other obligations	34,023,061,100	23,726,918,700
(ii) On outstanding forward exchange contracts, interest rate swaps	28,736,790,900	24,012,294,600
(iii) On underwriting commitments	—	—
(iv) Uncalled Liability on partly paid investments	45,469,500	45,508,500
(v) Claims on the Bank not acknowledged as debts	3,117,735,700	3,318,800,000
(vi) Bills for collection	—	—
(vii) On participation certificates	—	—
(viii) Bills Discounted/Rediscounted	4,650,000,000	—
(ix) Other monies for which the Bank is contingently liable	3,724,403,800	953,401,700
Total	74,297,461,000	52,056,923,500

General Fund

Assets

This Year **Previous Year**
(As at 31.03.2006) (As at 31.03.2005)

	Schedules	Rs.	Rs.
1. Cash & Bank Balances	VI	4,758,104,497	8,826,287,999
2. Investments	VII	9,223,695,626	9,709,773,942
3. Loans & Advances	VIII	166,160,940,860	126,603,949,052
4. Bills of Exchange and Promissory Notes Discounted/Rediscounted	IX	9,770,000,000	2,500,000,000
5. Fixed Assets	X	575,699,058	587,874,596
6. Other Assets	XI	10,912,184,424	8,693,892,382
Total		201,400,624,465	156,921,777,971

'Notes to Accounts' attached.

For and on behalf of the Board

R.M.V. Raman
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

Smt. Shyamala Gopinath

V.P. Shetty

Dr. Christy L. Fernandez

A.K. Purwar

S.C. Gupta

Dr. Vinayshil Gautam

S.P. Oswal

Directors

As per our attached report of even date

For Mukund M. Chitale & Co.

Chartered Accountants

Mumbai
Dated : April 22, 2006

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

Profit & Loss Account

for the year ended 31st March, 2006

Expenditure		This Year	Previous Year
	Schedules	Rs.	Rs.
1. Interest		10,252,521,760	7,384,423,624
2. Credit Insurance, fees and charges		31,980,063	36,623,683
3. Staff Salaries, Allowances etc. and Terminal Benefits		114,273,109	94,643,601
4. Directors' and Committee Members' Fees and Expenses		108,792	218,500
5. Audit Fees		455,000	455,000
6. Rent, Taxes, Electricity and Insurance Premia		44,910,872	48,643,757
7. Communication expenses		18,683,755	19,699,586
8. Legal Expenses		6,853,506	37,845,253
9. Other Expenses	XII	233,834,917	223,089,706
10. Depreciation		66,853,865	60,147,468
11. Provision for loan losses/contingencies, depreciation on investments		35,972,703	—
12. Profit carried down		3,768,802,298	3,143,518,968
Total		14,575,250,640	11,049,309,146
Provision for Income Tax		1,061,365,093	564,427,396
Balance of profit transferred to Balance Sheet		2,707,437,205	2,579,091,572
		3,768,802,298	3,143,518,968

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, 2006, 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, 2006.

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

Place : Mumbai
Dated : April 22, 2006

General Fund

Income

		This Year	Previous Year
	Schedules	Rs.	Rs.
1.	Interest and Discount XIII	13,576,114,896	10,264,606,770
2.	Exchange, Commission, Brokerage and Fees	671,571,425	547,979,724
3.	Other Income XIV	327,564,319	236,722,652
4.	Loss carried to Balance Sheet	—	—
	Total	14,575,250,640	11,049,309,146
	Profit brought down	3,768,802,298	3,143,518,968
	Excess Income/Interest tax provision of earlier years written back	—	—
		3,768,802,298	3,143,518,968

For and on behalf of the Board

R.M.V. Raman
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

Smt. Shyamala Gopinath

V.P. Shetty

Dr. Christy L. Fernandez

A.K. Purwar

S.C. Gupta

Dr. Vinayshil Gautam

S.P. Oswal

Directors

As per our attached report of even date

For Mukund M. Chitale & Co.

Chartered Accountants

(A. V. Kamat)

Partner (M. No. 39585)

Mumbai

Dated : April 22, 2006

Schedules to the Balance Sheet

as at 31st March, 2006

		This Year (As at 31.03.2006)	Previous Year (As at 31.03.2005)
		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)	9,499,918,881	8,499,918,881
Schedule II :	Reserves :		
	1. Reserve Fund	12,708,630,493	12,280,493,288
	2. General Reserve	—	—
	3. Other Reserves :		
	Investment Fluctuation Reserve	614,175,745	564,175,745
	Sinking Fund (Lines of Credit)	820,319,064	720,319,064
	4. Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	3,560,000,000	3,060,000,000
		17,703,125,302	16,624,988,097
Schedule III :	Profit & Loss Account :		
	1. Balance as per annexed accounts	2,707,437,205	2,579,091,572
	2. Less: Appropriations:		
	— Transferred to Reserve Fund	428,137,205	1,189,169,672
	— Transferred to Investment Fluctuation Reserve	50,000,000	150,000,000
	— 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	500,000,000	400,000,000
	— Provision for tax on distributed profit by way of dividend	121,700,000	85,521,900
	— 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)	867,500,000	654,400,000
Schedule IV :	Deposits:		
	(a) In India	454,043,000	82,080,000
	(b) Outside India	—	—
		454,043,000	82,080,000

General Fund

	This Year (As at 31.03.2006)	Previous Year (As at 31.03.2005)
	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	66,666,670	80,000,003
3. From Other Sources :		
(a) In India	13,424,712,640	7,687,450,000
(b) Outside India	19,417,265,940	13,296,194,408
	32,908,645,250	21,063,644,411
Schedule VI : Cash & Bank Balances :		
1. Cash in Hand	179,965	71,239
2. Balance with Reserve Bank of India	1,064,379	7,030,117
3. Balances with other Banks:		
(a) In India		
i) in current accounts	30,902,102	12,127,416
ii) in other deposit accounts	414,433,000	3,226,798,264
(b) Outside India	4,311,525,051	5,480,260,963
4. Money at call and short notice	—	100,000,000
	4,758,104,497	8,826,287,999
Schedule VII: Investments: (net of diminution in value, if any)		
1. Securities of Central and State Governments	3,286,456,688	2,923,205,072
2. Equity Shares & Stocks	1,020,647,600	1,041,037,327
3. Preference Shares and Stocks	421,522,351	313,973,041
4. Notes, Debentures and Bonds	1,725,159,761	1,255,933,502
5. Others	2,769,909,226	4,175,625,000
	9,223,695,626	9,709,773,942

	This Year (As at 31.03.2006)	Previous Year (As at 31.03.2005)
	Rs.	Rs.
Schedule VIII : Loans & Advances:		
1. Foreign Governments	7,925,914,166	2,499,669,979
2. Banks:		
(a) In India	38,686,241,465	22,561,469,022
(b) Outside India	1,287,436,115	1,314,025,408
3. Financial Institutions:		
(a) In India	—	—
(b) Outside India	779,267,342	1,109,051,242
4. Others	117,482,081,772	99,119,733,401
	166,160,940,860	126,603,949,052
Schedule IX : Bills of Exchange and Promissory Notes Discounted/Rediscounted:		
(a) In India	9,770,000,000	2,500,000,000
(b) Outside India	—	—
	9,770,000,000	2,500,000,000
Schedule X : Fixed Assets : (At cost less depreciation)		
1. Premises	545,382,054	552,124,782
2. Others	30,317,004	35,749,814
	575,699,058	587,874,596
Schedule XI : Other Assets :		
1. Accrued interest on		
a) investments/bank balances	2,429,454,992	1,727,458,626
b) loans and advances	1,174,669,741	632,256,733
2. Prepaid insurance premium — paid to Export Credit Guarantee Corpn. of India Ltd.	492,469	673,339
3. Deposits with sundry parties	21,774,210	21,346,779
4. Advance Income Tax paid	5,448,460,755	4,015,857,885
5. Others [including Deferred tax asset of Rs. Nil (previous year - Rs. 225,572,604)]	1,837,332,257	2,296,299,020
	10,912,184,424	8,693,892,382

	This Year (As at 31.03.2006)	Previous Year (As at 31.03.2005)
	Rs.	Rs.
Schedule XII : Other Expenses :		
1. Export Promotion Expenses	6,518,529	1,781,332
2. Expenses on and related to Data Processing	2,797,944	2,411,183
3. Repairs and Maintenance	34,023,797	32,368,327
4. Printing and Stationery	8,100,997	8,811,242
5. Others	182,393,650	177,717,622
	233,834,917	223,089,706
Schedule XIII : Interest and Discount :		
1. Interest and Discount on loans and advances/bills discounted/rediscouted	9,592,920,128	6,673,648,701
2. Income on Investments/bank balances	3,983,194,768	3,590,958,069
	13,576,114,896	10,264,606,770
Schedule XIV : Other Income :		
1. Net Profit on sale/revaluation of investments	211,284,667	210,559,296
2. Net Profit on sale of land, buildings and other assets	1,970,193	304,869
3. Others	114,309,459	25,858,487
	327,564,319	236,722,652

Note : Deposits under 'Liabilities' [ref. schedule IV (a)] of USD 599.87 mn (previous year USD 501.57 mn) and reciprocal deposits/ investments under 'Assets' [ref. schedules VI 3(a)(ii) and VII 4] aggregating to Rs. 2,668.55 crores (previous year Rs. 2,202.86 crores) have been netted off.

Balance Sheet

as at 31st March, 2006

Liabilities	This Year (As at 31.03.2006)	Previous Year (As at 31.03.2005)
	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	55,057,318	47,006,318
5. Profit and Loss Account	183,744,465	170,999,818
Total	367,109,570	346,313,923

Contingent Liabilities

(i) Acceptances, Guarantees, endorsements & other obligations	—	—
(ii) On outstanding forward exchange contracts, interest rate swaps	—	—
(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. The Income tax authorities have passed the assessment order and Exim Bank had made payment of tax of Rs. 66.18 lakhs for that year without prejudice to its rights in the matter. The Bank is pursuing the matter for refund of tax paid for A.Y. 1999-2000.

Export Development Fund

Assets	This Year (As at 31.03.2006)	Previous Year (As at 31.03.2005)
	Rs.	Rs.
1. Bank Balances		
(a) In current accounts	12,498	14,191
(b) In other deposit accounts	303,124,579	297,114,675
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	10,715,175	2,393,739
(b) Advance Income Tax paid	44,752,000	38,286,000
(c) Others	—	—
Total	367,109,570	346,313,923

For and on behalf of the Board

R.M.V. Raman
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

Smt. Shyamala Gopinath

V.P. Shetty

Dr. Christy L. Fernandez

A.K. Purwar

S.C. Gupta

Dr. Vinayshil Gautam

S.P. Oswal

Directors

As per our attached report of even date

For Mukund M. Chitale & Co.

Chartered Accountants

Mumbai
Dated : April 22, 2006

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

Profit & Loss Account

for the year ended 31st March, 2006

Expenditure	This Year	Previous Year
	Rs.	Rs.
1. Interest	—	—
2. Other Expenses	—	—
3. Profit carried down	19,210,647	17,076,033
Total	19,210,647	17,076,033
Provision for Income Tax	6,466,000	6,250,000
Balance of profit transferred to Balance Sheet	12,744,647	10,826,033
	19,210,647	17,076,033

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, 2006, 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, 2006.

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

Place : Mumbai
Dated : April 22, 2006

Export Development Fund

Income

	This Year	Previous Year
	Rs.	Rs.
1. Interest and Discount		
(a) loans and advances	—	—
(b) Investments/bank balances	19,210,647	17,076,033
2. Exchange, Commission, Brokerage and Fees	—	—
3. Other Income	—	—
4. Loss carried to Balance Sheet	—	—
Total	<u>19,210,647</u>	<u>17,076,033</u>
Profit brought down	19,210,647	17,076,033
Excess Income/Interest tax provision of earlier years written back	—	—
	<u>19,210,647</u>	<u>17,076,033</u>

For and on behalf of the Board

R.M.V. Raman
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

Smt. Shyamala Gopinath

V.P. Shetty

Dr. Christy L. Fernandez

A.K. Purwar

S.C. Gupta

Dr. Vinayshil Gautam

S.P. Oswal

Directors

As per our attached report of even date

For Mukund M. Chitale & Co.

Chartered Accountants

(A. V. Kamat)

Partner (M. No. 39585)

Mumbai

Dated : April 22, 2006

Cash Flow Statement

for the year ended 31st March, 2006

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

General Fund

	Amount (Rs. in Mn.) This Year
Cash Flow from Financing activities	
— Equity capital infusion	1,000.0
— Loans borrowed (net of repayments made)	39,972.2
— Loans lent, bills discounted & rediscounted (net of repayments received)	(46,827.0)
— Dividend on equity shares & tax on dividend	(739.9)
Net cash used in/raised from Financing activities	(6,594.7)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(4,068.2)
OPENING CASH & CASH EQUIVALENTS	8,826.3
CLOSING CASH & CASH EQUIVALENTS	4,758.1

Note: As the Cash Flow Statement has been included in the form of annual accounts prescribed in the Export-Import Bank of India General Regulation, 1982 vide the Gazette of India Notification No. 38 dated September 17 - 23, 2005, previous year's figures are not disclosed.

For and on behalf of the Board

R.M.V. Raman
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

Smt. Shyamala Gopinath

V.P. Shetty

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Directors

As per our attached report of even date

For Mukund M. Chitale & Co.

Chartered Accountants

Mumbai
Dated : April 22, 2006

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

(ii) Revenue Recognition

Income/Expenditure is recognised 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) and claims settled by Export Credit Guarantee Corporation of India Ltd. (ECGC). 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 of, discarded, demolished or destroyed, the net surplus or deficiency is adjusted in Profit and Loss Account.

(vi) Accounting for Foreign Currency Transactions

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

(vii) Guarantees

- (a) Expired guarantees are included as Contingent Liabilities till return and 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.30.66 bn. (previous year Rs.30.00 bn) held on agency account including a sum of Rs.27.71 bn (previous year Rs.27.11 bn) 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 bn towards income-tax and Rs.0.06 bn 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. 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 matter is being pursued for part refund of taxes paid. The interest-tax demand for A.Ys. 1999-00 and 2000-01 are also in appeal.

3. (a) Contingent Liabilities

Guarantees include expired guarantees of Rs.12.18 bn (previous year Rs.6.62 bn), yet to be cancelled in books.

(b) Claims not acknowledged as debts

The amount of Rs. 3.11 bn (previous year Rs.3.32 bn) shown under Contingent Liabilities as "Claims on the Bank not acknowledged as debts", pertains to claims/counter-claims filed against the Bank mostly by Bank's defaulting borrowers in response to legal action initiated against them by the Bank. None of the claims/counter-claims is considered as maintainable in the opinion of Bank's solicitors. None of them has reached the stage of final hearing. Based on professional advice, no provision is considered necessary.

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

The outstanding forward exchange contracts as at March 31, 2006 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 derivative transactions are undertaken with approval of Asset-Liability Management Committee (ALCO) and are accounted on accrual basis. 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.

ADDITIONAL INFORMATION AS REQUIRED BY RESERVE BANK OF INDIA

4. Capital

(a) Particulars	As on March 31, 2006	As on March 31, 2005
(i) Capital to Risk Assets Ratio (CRAR)	18.42%	21.58%
(ii) Core CRAR	17.21%	20.41%
(iii) Supplementary CRAR	1.21%	1.17%

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

(c) The amount of subordinated debt raised and outstanding as on March 31, 2006 as Tier-II capital: Rs. NIL (previous year: Rs. NIL)

(d) Risk weighted assets

(Rs. bn)

Particulars	As on March 31, 2006	As on March 31, 2005
(i) 'On' balance sheet items	146.47	119.76
(ii) 'Off' balance sheet items	29.49	17.41

(e) The share holding pattern as on the date of the balance sheet: 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, 2006

(a) Percentage of net Non-performing Assets (NPAs) to net loans and advances: 0.59 (previous year 0.85)

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

(Rs. bn)

Particulars	As on March 31, 2006		As on March 31, 2005	
	Amount	Percentage	Amount	Percentage
Sub-standard Assets	1.05	0.59	0.47	0.37
Doubtful Assets	—	—	0.62	0.48
Loss Assets	—	—	—	—
Total	1.05	0.59	1.09	0.85

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

(Rs. bn)

Particulars	2005-06	2004-05
Standard Assets	0.38	0.07
NPAs	1.04	0.83
Investments (other than those in the nature of an advance)	0.24	0.24
Income Tax	1.06	0.56

(d) Movement in net NPAs:

(Rs. bn)

Particulars	2005-06	2004-05
Net NPAs at the beginning of the year	1.09	1.29
Add : New NPAs during the year	1.37	0.47
Less : Recoveries/upgradations during the year	1.41	0.67
Net NPAs at the end of the year	1.05	1.09

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

(Rs. bn)

Particulars	2005-06	2004-05
Opening balance as at the beginning of the year	5.00	6.00
Add: Provisions made during the year	1.04	0.83
Less: Write off/ write back of excess provision	1.69	1.83
Closing balance at the end of the year	4.35	5.00

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

(i) No. of Accounts - 4

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

(iii) Aggregate consideration - Rs. 0.60 bn

(iv) Additional consideration realised in respect of accounts transferred in earlier years - N.A.

(v) Aggregate gain over net book value – Rs. 0.17 bn

- The “Assets sold to Reconstruction Companies” has been reckoned as defined in RBI Master Circular DBS.FID.No.C-2/01.02.00/2004-05 dated August 2, 2004 and thereafter.

(g) Non-performing Investments

(Rs. bn)

Particulars	2005-06	2004-05
Opening balance as at the beginning of the year	0.24	0.14
Additions during the year	—	0.14
Reductions during the year	—	0.04
Closing balance at the end of the year	0.24	0.24
Total provisions held	0.24	0.13

(h) Provisions for depreciation in investments

(Rs. bn)

Particulars	2005-06	2004-05
Opening balance as at the beginning of the year	0.43	0.18
Add :		
(i) Provisions made during the year	0.24	0.12
(ii) Appropriation, if any, from Investment Fluctuation Reserve Account during the year	—	0.15
Less:		
(i) Write off during the year	—	—
(ii) Transfer, if any, to Investment Fluctuation Reserve Account	—	0.02
Closing balance as at the end of the year	0.67	0.43

- (i) Restructured Standard Assets as on March 31, 2006: Rs.0.16 bn (previous year Rs.0.53 bn).
(j) Restructured Sub-standard Assets as on March 31, 2006: Rs.0.04 bn (previous year Rs.0.12 bn).
(k) Restructured Doubtful Assets as on March 31, 2006: Rs.0.01 bn (previous year Rs.0.04 bn).
(l) Corporate Debt Restructuring (CDR) undertaken during the year:

(Rs. bn)

Particulars	2005-06	2004-05
(a) Total amount of loan assets subjected to restructuring under CDR (a=b+c+d)	0.68	1.44
(b) The amount of standard assets subjected to CDR	0.68	1.39
(c) The amount of sub-standard assets subjected to CDR	—	—
(d) The amount of doubtful assets subjected to CDR	—	0.05

(m) Credit Exposure:

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

Previous Year:

Particulars	Percentage to Capital Funds*	Percentage to Total Credit Exposure (TCE)@	Percentage to Total Assets
i) Largest single borrower	17.64	1.95	2.50
ii) Largest borrower group	20.74	2.30	2.94
iii) 10 largest single borrowers	109.19	12.10	15.47
iv) 10 largest borrower groups	137.65	15.26	19.50

* Capital Funds as on March 31, 2004

@ 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, 2006 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, 2006 stood at 22% 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) Textiles & 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

Previous Year:

Sector	Percentage to Total Credit Exposure (TCE)	Percentage to Loan Assets
i) Textiles & Garments	10.66	12.69
ii) Construction	9.31	11.08
iii) Drugs and Pharmaceuticals	9.21	10.96
iv) Engineering Goods	7.26	8.64
v) Metals & Metal Processing	7.11	8.47

- 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. bn)

Sr. No.	Issuer	Amount	Amount of			
			Investment made through private placement	'below investment grade' Securities held	'unrated' Securities held	'unlisted' Securities held
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	0.05	—	—	0.05	0.05
2	FIs	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 bn represents investment in security receipts issued by ARCIL and Rs.0.52 bn 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. bn.)

Sr. No.	Issuer	Amount	Amount of			
			Investment made through private placement	'below investment grade' Securities held	'unrated' Securities held	'unlisted' Securities held
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	3.48	3.43	—	3.48	*3.48
2	FIs	0.50	—	—	0.50	0.24
3	Banks	0.13	—	—	0.08	0.08
4	Private corporates	1.95	0.06	—	1.95	**1.74
5	Subsidiaries/ Joint ventures	0.19	—	—	0.19	0.19
6	Others	4.18	—	—	4.18	0.18
7	#Provision held towards depreciation	0.21	—	—	—	—
	Total	10.43	3.49	—	10.38	5.91

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

* Out of which Rs.3.43 bn were by way of USD/INR Swap undertaken with RBI approval.

** Out of which Rs.1.05 bn represents investment in security receipts issued by ARCIL and Rs.0.62 bn 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. bn)

Items	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total
Rupee assets	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

Previous Year:

(Rs. bn)

Items	Less than or equal to 1 year	More than 1 year upto 3 years	More than 3 years upto 5 years	More than 5 years upto 7 years	More than 7 years	Total
Rupee assets	44.60	40.72	43.31	17.77	26.13	172.53
Foreign currency assets	42.40	14.54	33.49	6.66	6.85	103.94
Total assets	87.00	55.26	76.80	24.43	32.98	276.47
Rupee liabilities	43.73	39.27	22.75	9.09	53.98	168.82
Foreign currency liabilities	37.70	6.82	34.69	8.28	15.43	102.92
Total liabilities	81.43	46.09	57.44	17.37	69.41	271.74

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

(c) Repo Transactions:

(Rs. bn)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2006
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	2.64	0.01	—

Previous Year: (Rs. bn)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	Outstanding as on March 31, 2005
Securities sold under repos	—	—	—	—
Securities purchased under reverse repos	—	2.92	0.21	—

7. Forward Rate Agreements/Interest Rate Swap in terms of RBI Guidelines dated April 26, 2005 and thereafter

(Rs. bn)

Sr. No.	Particulars	Currency Derivatives	Interest rate derivatives
1	Derivatives (Notional Principal Amount)		
	a) For hedging	56.26	26.82
	b) For trading	—	—
2	Marked to Market Positions		
	a) Asset (+)	—	—
	b) Liability (-)	0.57	0.68
3	Credit Exposure	3.05	0.12
4	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	0.97	0.57
	b) on trading derivatives	—	—
5	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging		
	(i) Maximum	0.97	0.64
	(ii) Minimum	0.44	0.53
	b) on trading		
	(i) Maximum	—	—
	(ii) Minimum	—	—

8. Operating results

- (a) Interest income as a percentage to average working funds: 7.63 (previous year 6.12).
- (b) Non-interest income as a percentage to average working funds: 0.56 (previous year 0.46).
- (c) Operating profit as a percentage to average working funds: 2.14 (previous year 2.33).
- (d) Return on average assets: 1.52% (previous year 1.81%).
- (e) Net Profit per (permanent) employee: Rs. 13.5 mn (previous year Rs.13.4 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. bn)

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

There are no reportable segments under AS-17 Segment Reporting issued by the ICAI, as the Bank's operations predominantly comprise of only one segment i.e. Wholesale Financial Activities.

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
 - Global Trade Finance Limited
 - (II) Key Management Personnel:
 - Shri T. C. Venkat Subramanian, Chairman & Managing Director
- The Bank's related party balances and transactions are summarised as follows:

(Rs. mn)

	Joint Ventures 2005-06	Joint Ventures 2004-05
Loans granted	600.00	804.97
Investments Made	329.98	185.98
Interest received	4.32	12.98
Receipts towards services rendered	0.90	0.17
Term Deposit Accepted	5.00	—
Interest paid on Term Deposits	0.11	—

Loans outstanding at year-end: Nil (previous year Rs.176.82 mn).

Maximum Loan outstanding during the year: Rs.250.00 mn (previous year Rs.458.90 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 – AS 22

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

	(Rs. mn.)
(i) Tax on income	997.30
(ii) Fringe benefit tax	8.11
(iii) Deferred tax liability	55.96
	1061.37

(b) Deferred Tax Liability/Asset:

During the year, the Bank has created provision for deferred tax liability in respect of tax exemption allowed/claimed in nature of special reserve u/s 36(1) (viii) of Income Tax Act, 1961 for the current year as well as for the earlier years. Deferred Tax Liability for the Financial Years upto 2004-05 of Rs 640.10 mn has been appropriated out of profit for the year 2005-06 and that for the year 2005-06 of Rs. 150.45 mn has been considered in computation of the tax Provision for the year. The composition of deferred tax assets and liabilities into major items is given below:

	(Rs. mn)
	Year ended March 31, 2006
Deferred Tax Liability	
1. Amortisation of Bond issue expenses	26.18
2. Special Reserve Created under section 36 (1) (viii)	
— Up to 2004-05	640.10
— For 2005-06	150.45
	816.73
Less: Deferred Tax Assets	
1. Provision Disallowed (Net)	306.28
2. Depreciation on Fixed Assets	35.24
3. Others	4.72
	346.24
Net Deferred Tax Liability [included in 'Other Liabilities' in the 'Liabilities' side of the Balance Sheet].	470.49

14. Financial Reporting of Interest in Joint Ventures - AS 27

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: Rs. 144 mn as on 31st March 2006.

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

(Rs. mn)

Liabilities	2005-06*	2004-05	Assets	2005-06*	2004-05
Capital & Reserves	411.33	219.07	Fixed Assets	52.07	45.19
Loans	2824.57	1606.60	Investments	0.07	52.45
Other Liabilities	85.06	557.70	Other Assets	3268.82	2285.73
Total	3320.96	2383.37	Total	3320.96	2383.37

* The figures are provisional.

(Rs. mn)

Expenses	2005-06*	2004-05	Income	2005-06*	2004-05
Interest and Financing Expenses	132.16	70.24	Income from factoring activity	220.47	127.76
Other Expenses	47.32	54.75	Consultancy Income	8.08	3.94
Provisions	31.46	15.20	Interest income & Income from investment	17.35	33.98
			Other Income	25.57	0.60
Total	210.94	140.19	Total	271.47	166.28

* The figures are provisional.

15. 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

R.M.V. Raman
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

Smt. Shyamala Gopinath

V.P. Shetty

Dr. Christy L. Fernandez

A.K. Purwar

S.C. Gupta

Dr. Vinayshil Gautam

S.P. Oswal

Directors

As per our attached report of even date

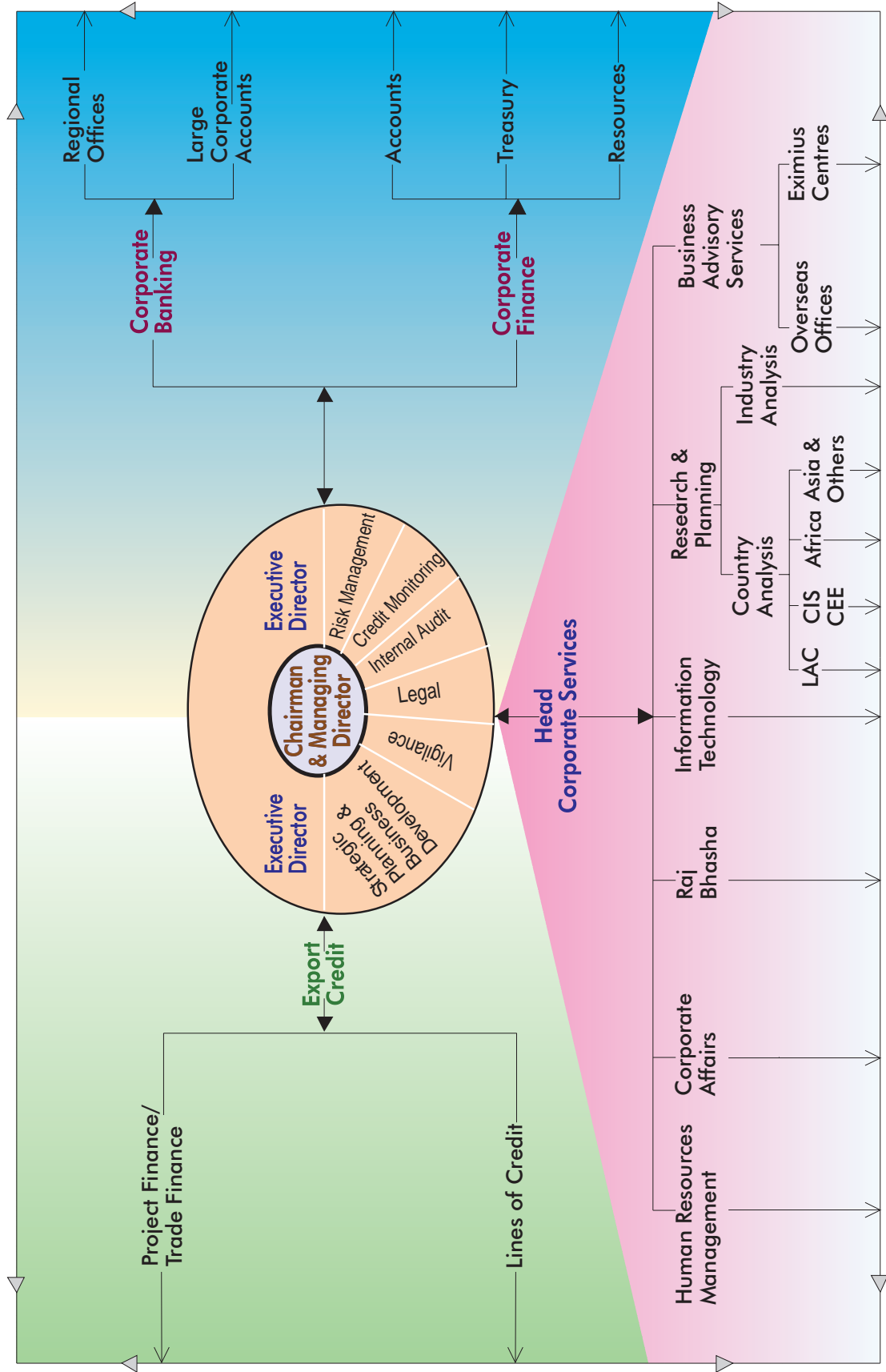
For Mukund M. Chitale & Co.

Chartered Accountants

Mumbai
Dated : April 22, 2006

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

Organisation



Management Team

**Chairman &
Managing Director**



T. C. Venkat Subramanian

**Executive
Directors**



S. Sridhar (upto April 18, 2006)



R. M. V. Raman

**Group
Heads**



S. R. Rao
Corporate Services



P. A. Makwana
Project Finance/
Trade Finance



S. Bhattacharyya
Agri Business & SME



D. G. Prasad
Corporate Banking



N. Shankar
Corporate Finance



P. R. Dalal
Lines of Credit



C. P. Ravindranath
Legal



John Mathew
Corporate Banking



David Rasquinha
Chief Risk Officer

Regional Heads

Indian Offices



Ahmedabad
Devanand Rajak



Bangalore
T. D. Sivakumar



Chennai
K. Muthukumaran



Guwahati
Saumar Sonowal



Hyderabad
Vijay Krishna Reddy



Kolkata
Jogender Singh



Mumbai
G. Purushothaman



New Delhi
Sunil Trikha



Pune
R. W. Khanna

Overseas Offices



Budapest
Nimit 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.

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