Board of Directors

(As on June 30, 2005)

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

Shri A. K. Jha
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

Smt. Suryakanthi Tripathi
Additional Secretary (ER)
Ministry of External Affairs

Shri Amitabh Verma
Joint Secretary
Banking Division
Ministry of Finance

Smt. K. J. Udeshi
Deputy Governor
Reserve Bank of India

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

Shri P. K. Dash
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

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)

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	Cumulative (1995-2005)	Annual Average Growth %
LOANS												
Sanctions	24657	12421	18406	18380	28318	21743	42407	78283	92657	158535	495807	28
Disbursements	21300	12566	13704	12707	17296	18964	34529	53203	69575	114352	368196	27
Loan Assets[1]	29302	34513	38248	42641	50833	56443	68260	87736	107751	134104		18
GUARANTEES												
Guarantees Sanctioned	2027	1365	4024	2633	4404	2118	5450	9328	10792	15887	58028	63
Guarantees Issued	1731	1481	1912	2474	3017	1741	4164	7275	5743	16602	46140	51
Guarantee Portfolio	9081	10215	12094	10553	11147	10740	11273	16133	15769	23727		15
RESOURCES												
Paid-up-Capital	5000	5000	5000	5000	5500	5500	6500	6500	6500	8500		
Reserves	3997	5445	7058	8352	9584	10664	12026	13171	14933	16625		
Notes, Bonds & Debentures	8861	9165	8267	12850	20944	22915	33158	64902	76701	98972		
Deposits	1404	660	371	104	2617	2797	3416	9121	20922	22023		
Other Borrowings	13346	20352	21808	21285	20354	20255	16619	16467	21583	21064		
Total Resources	39694	49329	51201	56665	70264	73981	82734	123189	155192	184273		
PERFORMANCE												
Profit Before Tax (PBT)	1100	1516	2017	2400	2273	2047	2212	2686	3042	3144	22437	16
Profit After Tax	1100	1516	2017	1650	1651	1541	1712	2066	2292	2579	18124	
Dividend	200	310	410	330	350	380	420	450	470	654	3974	17
Staff (Numbers)[2]	116	126	136	147	150	154	163	167	190	193		
RATIOS												
Capital to Risk Assets Ratio (%)	31.9	31.7	30.5	26.6	24.4	23.8	33.1	26.9	23.5	21.6		
PBT to Capital (%)	23.4	30.3	40.3	48.0	43.3	37.2	36.9	41.3	46.8	41.9		
PBT to Net Worth (%)	13.3	15.6	17.9	18.9	16.0	13.1	12.8	14.1	14.2	13.5		
PBT to Assets (%)	2.9	3.4	4.0	4.4	3.6	2.8	2.8	2.6	2.2	1.9		
PBT per Employee (Rs. mn)	10.0	12.5	15.4	17.0	15.3	13.5	14.0	16.3	17.0	16.4		

[1] Loan Assets are net of claims settled by ECGC, effective 1997-98.

[2] Denotes number of employees in the service of Exim Bank.

Note: Data pertains to General Fund.

Chairman's Statement

The year 2004-05 was characterised by sustained robust growth of the Indian economy with buoyant export performance, reflecting strong fundamentals and policy direction. The robust rise in exports has been in line with increase in global trade, and reflects the increasing competitiveness of Indian exports in global markets, as also diversification in export markets.

In line with the opportunities in an increasingly globalised and liberalised trading environment, Exim Bank has proactively endeavoured to enhance the competitiveness of Indian companies, while also striving to ensure that Bank's activities and financing initiatives keep pace with the discerning requirements of industry and trade.

BUSINESS INITIATIVES

To enhance market penetration as also diversification of Indian exports, the Bank extended 16 Lines of Credit (LOCs) aggregating US$ 423 mn to support export of projects, goods and services from India. This includes a product specific line of credit of US$ 150 mn to Ceylon Petroleum Corporation for financing export of petroleum products from India. The Bank now has 44 LOCs covering 68 countries in Asia, Africa, CIS, Latin America and Europe, with credit commitments aggregating US$ 953 mn available for utilisation. With several other LOCs at various stages of negotiation, the Bank has aggressively expanded the geographical reach and volumes under the Lines of Credit programme, in line with Government of India's objective of market diversification and enhanced share in global trade.

As a prime mover in financing and facilitating projects exports from India, Exim Bank supported 198 Indian exporters to secure 570 export contracts aggregating Rs. 79.5 bn, covering 64 countries during the year. These contracts encompass the entire range of projects and services exports such as civil construction, turnkey, consultancy as also trade finance-oriented supply contracts thereby reflecting the increasing capability of Indian consultants, suppliers and contractors to execute contracts often in challenging environments.

The Bank has commenced offering equity related products as part of project finance as well as treasury operations.

In line with the Bank's endeavour to support Indian outward investment, 11 corporates were sanctioned funded and non-funded assistance aggregating Rs 5.5 bn for part financing their overseas investments in seven countries. So far, the Bank has provided finance to 122 ventures set up by over 100 companies in 43 countries.

With renewed focus on the Small and Medium Enterprise (SME) exporters, the Bank has taken the initiative to set up an SME Group, with the objective of developing a portfolio of externally oriented SME clients for the Bank and also to ensure smooth credit delivery to these clients. During the year, the Bank sanctioned credit facilities amounting to Rs 1.3 bn to export oriented SMEs under this initiative, covering a wide range of sectors such as textiles, readymade garments, chemicals, information technology, pharmaceuticals, auto components and engineering goods.

A Memorandum of Co-operation was signed with International Trade Centre (ITC), Geneva, to implement the Enterprise Management Development Services (EMDS) programme of ITC for supporting SMEs in their globalisation efforts. As part of the co-operation arrangement with ITC, an Exim official has been placed as

'Expert in Residence' at ITC's headquarters in Geneva to acquire special marketing skills to assist SMEs. Both the initiatives are being launched by ITC for the first time in any country.

Deepening its foray into financing of the entertainment industry, the Bank financed seven films during the year. Bank's approach towards film financing is to focus on foreign exchange earning projects and on select borrowers with proven track record. Other services sectors financed during the year include healthcare, hospitality and shipping. Thrust on agri exports was evidenced by sanctions amounting to Rs. 5.8 bn by the Agri Business Group during the year, including term finance for food processing, floriculture, fruits and vegetables, and contract farming sectors. The Bank's Occasional Paper on 'Fresh Fruits, Vegetables and Dairy Products: India's Potential for Exports to Other Asian Countries' highlights the untapped potential in this sector, considering its size and diversity.

Research studies brought out during the year have focused on Emerging Opportunities for India in Biotechnology; Export Potential of Indian Plantation Sector; and India's Trade and Investment Potential with ASEAN countries. In addition, Working Papers were brought out covering specific areas of interest to exporters, including Opportunities and Challenges for India's Textile Exports in the post-MFA scenario; Export Potential of Indian Ceramic Industry; and India's Trade and Investment Relations with Central Asian Republics, Afghanistan, Pakistan, and the Southern African Customs Union (SACU) member countries.

To address business information needs of companies interested in trade and investment with the African region, the Bank launched a quarterly bilingual (English, French) magazine titled 'Indo-African Business' during the year. Equity participation in Development Bank of Zambia and West African Development Bank (BOAD) would serve to build upon the activities of the Bank in facilitating and enhancing India's trade and investment relations with the African region. Further, Bank's publication titled 'Market Maker: Technology Aided Business Solutions' brought out during the year, containing project profiles in the food processing sector based on technologies developed by Central Food Technological Research Institute (CFTRI), seeks to promote small-scale food processing projects in Africa and the CIS region.

The Bank's endeavour to create an enabling environment through synergies derived from institutional linkages was strengthened by Memoranda of Co-operation signed with Investment Guarantee Agency (IGA) of Bosnia, Economic Development Board (EDB) of Kingdom of Bahrain, Export-Import Bank of the Slovak Republic (EXIMBANKA SR), and BNP Paribas. The Bank also signed a Memorandum of Understanding with African Export-Import Bank, Andean Development Corporation and Exim Bank of Malaysia in support of creation of a global network of Exim Banks and Development Finance Institutions, under the aegis of UNCTAD.

The Bank's Commencement Day Annual Lecture for the year 2005, delivered by Mr. Rubens Ricupero, Former Secretary General, UNCTAD, focusing on the need for stability of international financial flows, was a key event of the year.

The 2005 'Trade Development Award' conferred on the Bank by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) is in recognition of the Bank's Export Marketing Services programme that proactively creates the enabling environment for Indian firms to explore newer geographies. The Bank had been conferred with this award in the years 2002 and 2004 also.

Export related advisory and promotional services offered by the Bank were consolidated and strengthened during the year, as also the linkages with other Export Credit Agencies in fostering enhanced regional trade flows. Bank continued to work closely with multilateral agencies including the World Bank, Asian Development Bank, African Development Bank, European Bank for Reconstruction and Development, and United Nations Industrial Development Organisation.

BUSINESS RESULTS

The Bank's business performance during the year has been in line with the continued buoyancy in India's exports. Loan approvals aggregated Rs. 158.5 bn, an increase of 71 per cent over the previous year, while disbursements at Rs. 114.4 bn, registered a rise of 64 per cent. Loan assets have increased by 24 per cent to amount to Rs. 134.1 bn as on March 31, 2005.

Profit after tax amounted to Rs. 2.58 bn as compared to Rs. 2.29 bn during the previous year, registering a growth of 13 per cent. The Bank raised US$ 250 mn by way of debut Eurodollar bond issue and US$ 50 mn equivalent by way of Euroyen Floating Rate Notes (FRN) issue, the first of its kind in the recent past by an Indian issuer. The Bank has in place ratings for its overseas bond issue, from International Credit Rating Agencies, viz. Moodys (Baa3), Fitch (BB+) and S&P(BB+), on par with sovereign rating. The Bank also raised short term US dollar resources amounting to US$ 200 mn for financing pre-cum-post shipment credit requirements of export-oriented units.

INSTITUTIONAL INTERACTION

The Bank's efforts to create an enabling environment have been supplemented by institutional relationships, both structured and informal, that have been developed with agencies and institutions involved in promotion of trade and investment. CII, FICCI, ASSOCHAM, NASSCOM, FIEO, EEPC, PEPC, ICC, 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. Further, the Bank has also strengthened its linkages with multilateral agencies, international banking community and other international institutions in its endeavour at export promotion.

BOARD OF DIRECTORS

There have been changes on the Board during the year. Shri S. N. Menon, Secretary, Government of India, Department of Commerce, Ministry of Commerce and Industry; Shri A.K. Jha, Secretary, Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry; Smt. Suryakanthi Tripathi, Additional Secretary (Economic Relations), Government of India, Ministry of External Affairs; Shri Amitabh Verma, Joint Secretary, Government of India, Ministry of Finance, Department of Economic Affairs, Banking Division; Shri P. K. Dash, Chairman-cum-Managing Director, Export Credit Guarantee Corporation of India Ltd; and Smt. K. J. Udeshi, Deputy Governor, Reserve Bank of India, were appointed as Directors on the Board.

Shri Dipak Chatterjee, Secretary, Government of India, Department of Commerce, Ministry of Commerce and Industry; Shri Lakshmi Chand, Secretary, Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry; Shri Rajiv Sikri, Secretary (East), Government of India, Ministry of External Affairs; Shri M. Damodaran, Chairman and Managing Director, Industrial Development Bank of India; Shri P. M. A. Hakeem, Chairman-cum-Managing Director, Export Credit Guarantee Corporation of India Ltd.; Shri R. V. Shastri, Chairman and Managing Director, Canara Bank and Shri S. C. Basu, Chairman and Managing Director, Bank of Maharashtra, 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 has displayed consistent dedication and commitment to the pursuit of excellence and business growth. They merit a special mention for carrying the Bank's mission forward, thereby enriching corporate and individual self-esteem. The Bank's participative and professional work culture has consistently remained a source of strength for the Bank.

T.C. Venkatsubramanian

(T.C. Venkat Subramanian)
April 23, 2005

Economic Environment

GLOBAL ECONOMY

Reflecting increased economic activity in both advanced economies and developing and emerging economies, the global economy witnessed a sharp upturn during 2004. According to IMF's World Economic Outlook, April 2005, global GDP growth increased from 4.0 per cent in 2003 to 5.1 per cent in 2004, with the growth momentum projected to be maintained in 2005. Growth in global output has been driven by continued growth in the US, pick-up in economic activity in Japan and the Newly Industrialised Asian economies, supported by strong performance in Asia, Latin America and other emerging economies. In the advanced economies, real GDP registered a higher growth of 3.4 per cent in 2004, as compared to 2.0 per cent in the previous year, while developing countries and emerging markets registered a robust growth of 7.2 per cent in 2004 as compared to 6.4 per cent in the previous year.

The US economy registered a real GDP growth of 4.4 per cent in 2004, up from 3.0 per cent in 2004, reflecting, among others, increased business investment and strong profitability, and increased labour productivity. While strong growth in the US has underpinned the upturn in global output, the continued current account deficit of the US remains a matter of concern. In Canada, economic expansion gained momentum with real GDP growth at 2.8 per cent in 2004, as compared to 2.0 per cent in the previous year. Increased employment and personal consumption, buoyant business investment and profitability, and strong exports have contributed to overall economic activity during 2004.

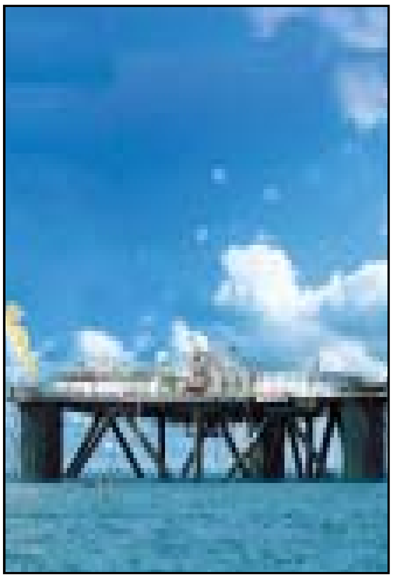
A broad-based recovery was also evident in the Euro area with higher growth of 2.0 per cent in 2004, as compared to 0.5 per cent in 2003, although the upturn has been heavily dependent on external demand. During the second half of 2004, however, domestic demand remained subdued while appreciation of the Euro impacted export growth. Final domestic demand remained strong in France and Spain, although weaker in Italy and Germany. Sustaining the upturn in the Euro area would be contingent upon the region's ability to successfully encounter the challenge of integrating the ten new accession economies into the common market of the European Union. Outside the Euro area, reflecting wage growth and strong corporate profits, real GDP growth in the UK stood at 3.1 per cent, as compared to 2.2 per cent during the previous year.

In Japan, real GDP rose by 2.6 per cent during 2004 as compared to 1.4 per cent during the previous year, despite a slowdown in growth momentum in the last

Delivering the Twentieth Annual Commencement Day Lecture of Exim Bank, Mr.Rubens Ricupero, former Secretary-General of UNCTAD spoke on "Trade and Development: Challenges for Developing Countries". Shri Tarun Das, Chief Mentor, Confederation of Indian Industry, presided over the function.

three quarters of 2004 owing to weaker global demand for IT products, which impacted exports and private sector investment growth. Economic fundamentals have improved in recent years, reflected in stronger corporate profitability, strengthened financial position of the banking sector, among others. In the medium term, growth prospects are underpinned by continued progress in reducing financial vulnerabilities in the corporate and banking sectors.

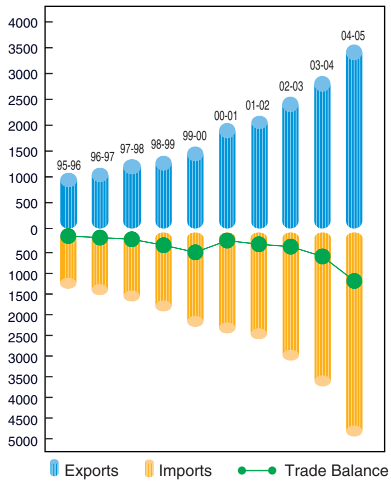
In the Asian region, real GDP growth remained robust at 7.8 per cent in 2004, as compared to 7.4 per cent during the previous year, underpinned by strong economic activity in China, the ASEAN region and South Asia. Despite a slowdown in fixed investment in the second quarter, economic activity remained strong in China with real GDP growth of 9.5 per cent in 2004, as compared to 9.3 per cent in the previous year. Continued strong growth in China has in turn boosted economic activity in the rest of East Asia, although GDP growth rates vary across countries, depending on the strength of domestic demand. In the ASEAN region, Indonesia, Thailand, Philippines and Malaysia registered a combined real GDP growth of 5.8 per cent in 2004, as compared to 5.4 per cent in 2003. The newly industrialised Asian countries, viz. Republic of Korea, Hong Kong, Singapore and Taiwan, also registered upturn in economic activity, with a combined real GDP growth of 5.5 per cent in 2004, as compared to 3.1 per cent during the previous year. In South Asia, economic activity has been boosted by strong growth in India underpinned by global expansion and supportive monetary conditions, improved macroeconomic performance in Pakistan which has reduced external vulnerabilities, and strong growth in Bangladesh.



A view of the semi-submersible floating production offshore drilling unit currently deployed by Aban Loyd Chiles Offshore Ltd. (ALCOL) on the East Coast of India. ALCOL, an Indo-US joint venture providing oil field services for offshore exploration and production of hydrocarbons, is India's largest offshore drilling entity in the private sector. ALCOL has recently secured a contract for charter-hire of a rig for a project in Iran, for which Exim Bank has provided guarantees and finance.

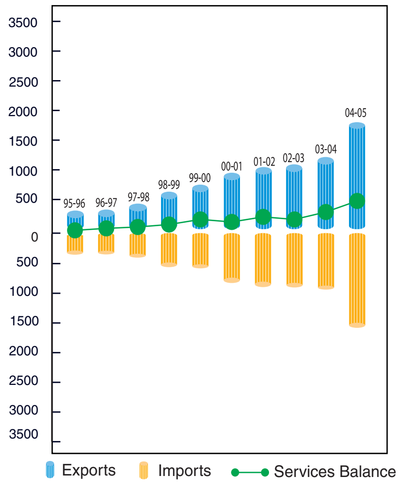
Trends in India's Merchandise Trade

(Rs. in bn)



Trends in India's Services Trade

(Rs. in bn)



In Africa, real GDP growth increased to 5.1 per cent in 2004 from 4.6 per cent in 2003, supported by the strength of the global economy, including high oil and commodity prices, improved macroeconomic policies and progress with structural reforms. Developments in specific countries have also boosted overall growth, including large increase in oil production (Angola, Chad and Equatorial Guinea), and recovery in agricultural output (Ethiopia and Rwanda). On the inflation front, improved macroeconomic policies have resulted in relatively moderate inflation rates across the region, with the exception of Zimbabwe, where inflation remains a matter of concern. In South Africa, real GDP registered a higher growth of 3.7 per cent in 2004, as compared to 2.8 per cent in the previous year, due to buoyant domestic demand and expansionary fiscal policy.

In the Middle East, real GDP growth was sustained at 5.5 per cent during 2004, as compared to 5.8 per cent during the previous year, reflecting rise in export earnings and supported by sound financial policies and progress with structural reforms. Reflecting these, the region has registered large current account surplus. Growth in non-oil producing countries in the region has also remained strong, boosted by positive impact of domestic reforms and strong growth in the oil-producing countries. In Saudi Arabia, real GDP growth stood at 5.3 per cent in 2004, while Kuwait also registered a real GDP growth of 7.2 per cent. Iran registered a real GDP growth of 6.6 per cent in 2004, underpinned by high oil prices, reforms that have boosted the non-oil sector, and expansionary monetary and fiscal policies. In Egypt, reflecting strong export performance and revival in domestic consumption, real GDP registered a higher growth of 4.1 per cent during 2004, as compared to 3.1 per cent in the previous year, while in Israel, real GDP growth accelerated to 4.3 per cent in 2004 from a growth of 1.3 per cent in the previous year, supported by favourable global environment and improvements in security conditions.

A US$10 mn Line of Credit is extended to Government of Mauritius. Mr A.R. Guptar, Financial Secretary, Ministry of Finance and Economic Development, Government of Mauritius exchanges the agreement with Exim Bank in Port Louis in the presence of Dr. Manmohan Singh, Hon'ble Prime Minister of India and Mr. Paul Bérenger, Hon'ble Prime Minister of Mauritius.

In Latin America, economic activity picked up strongly during 2004, backed by sound macroeconomic policies and structural reforms, favourable external environment, increased domestic demand, and growth in private consumption and business investment. Reflecting these, real GDP growth of the region registered a higher growth of 5.7 per cent in 2004, as compared to 2.2 per cent in the previous year. In the Mercosur region, Argentina registered a real GDP growth of 9.0 per cent in 2004, as compared to 8.8 per cent in the previous year, while Brazil recorded a real GDP growth of 5.2 per cent as compared to 0.5 per cent growth in the previous year. Economic activity also picked up in the Andean region, with overall real GDP growth of 7.3 per cent in 2004, as compared to 1.4 per cent in 2003. Upturn in economic activity in the Andean region was supported by the sharp recovery in Venezuela, which registered a strong growth of

17.3 per cent in 2004, as against a decline of 7.7 per cent in the previous year. In Mexico, economic activity picked up during 2004 with a real GDP growth of 4.4 per cent in 2004, up from 1.6 per cent in 2003, boosted by supportive monetary conditions and strong demand from the US.

In the CIS countries, real GDP growth remained robust at 8.2 per cent in 2004, as compared to 7.9 per cent in the previous year. High world prices and demand for crude oil and metals added to the strong growth momentum in the region. Buoyant export growth has been supported by strong domestic demand, with increased activity in the manufacturing and construction sectors. In Russia, economic activity remained buoyant, with soaring exports strengthening the country's external position, with real GDP growth at 7.1 per cent in 2004, as compared to 7.3 per cent in the previous year. In Ukraine, real GDP growth stood at 12.1 per cent in 2004 as compared to 9.6 per cent in the previous year reflecting primarily favourable external factors including booming metal prices and increased exports. Strong regional growth momentum has also contributed to increased economic growth in the other CIS countries.

World Trade

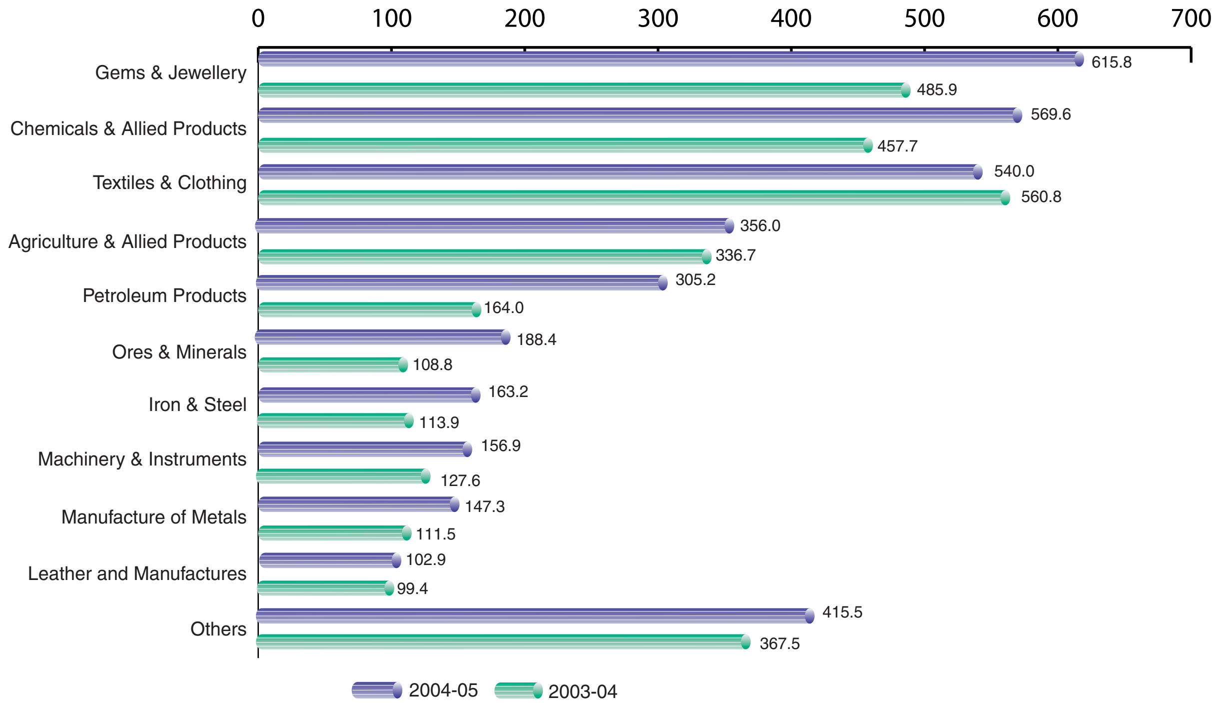
Reflecting the sharp upturn in global economic activity, and boosted by increased commodity prices, global exports rose sharply by 21.1 per cent in 2004 to US$ 8902 bn. World prices of oil and non-fuel primary commodities registered continued rise during 2004, while prices of manufactures witnessed a slowdown. In the case of oil, world prices rose sharply by 30.7 per cent in 2004, as compared to 15.8 per cent rise in the previous year, while world prices of non-fuel primary commodities also registered a rise of 18.8 per cent in 2004, as compared to 7.1 per cent rise in 2003. In the case of manufactures, world prices registered a lower rise of 8.8 per cent in 2004, as compared to the sharp rise of 13.4 per cent during the previous year.

The Hon'ble Minister for External Affairs, Shri Natwar Singh, at the inaugural of 'India-Africa Conclave' alongwith Hon'ble Union Minister of State for Commerce and Industry, Shri E.V.K.S. Elangovan, and H.E. Mr. Jean Pierre Bemba, Vice-President of Democratic Republic of Congo. The high profile Conclave organised by Confederation of Indian Industry in association with Exim Bank to promote Indo-African trade and investment, was attended by 230 representatives from 24 African nations, including the Deputy Prime Minister of Chad.

In terms of volume, world trade registered a sharp rise of 10.7 per cent in 2004, as compared to the rise of 5.3 per cent during the previous year. Both advanced economies as well as developing economies and emerging markets, registered a rise in volume of trade. In the case of exports, advanced economies registered 8.6 per cent rise in volume of exports in 2004, as compared to 2.9 per cent rise in 2003, while developing economies and emerging markets registered 13.7 per cent rise in export volume in 2004 as compared to the 10.3 per cent rise during the previous year. During 2005, the volume growth of world trade is projected to be sustained at 7.9 per cent.

Composition of India's Merchandise Exports

(Rs. in bn)



As regards imports, volume of imports rose by 9.3 per cent in 2004 for advanced economies, as compared to 4.3 per cent rise in 2003, while developing countries and emerging markets registered a sharp 16.9 per cent rise in volume of imports during 2004 as compared to a rise of 10.3 per cent during the previous year.

Private Capital Flows, Current Account Balances and External Debt

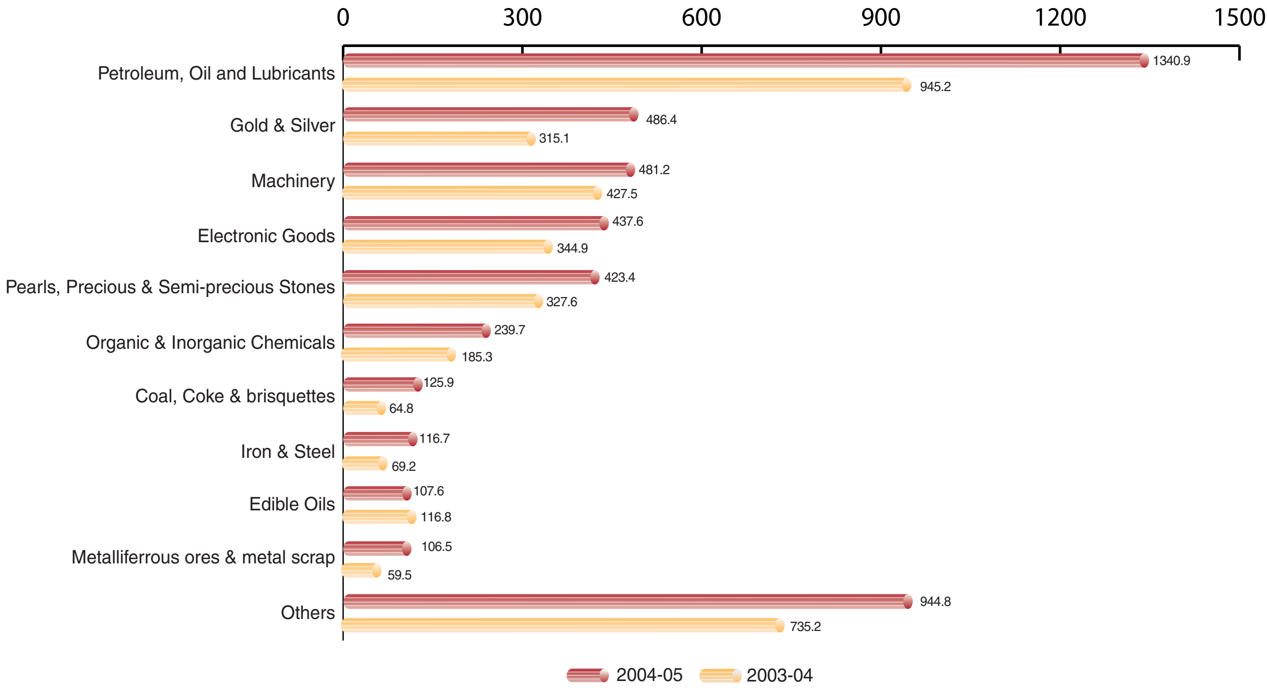
Net private capital flows to emerging markets rose sharply from US$ 207.6 bn in 2003 to an estimated US$ 303.4 bn in 2004. During 2005, net private capital flows to emerging markets are expected to increase further to US$ 310.7 bn. Sharp rise in direct equity investment and commercial bank lending accounted for the bulk of the increase in net flows.

Private capital flows to emerging markets in Asia and Pacific increased from US$ 116.8 bn in 2003 to US$ 156.0 bn in 2004, while private capital flows to emerging markets in Europe also rose from US$ 62.5 bn to US$ 107.3 bn during the same period. In the case of emerging markets in Latin America, private capital flows increased from US$ 23.9 bn in 2003 to US$ 29.9 bn in 2004, while private capital flows to emerging markets in Africa and Middle East also rose from US$ 4.4 bn to US$ 10.1 bn during the same period.

During 2004, the combined current account surplus of the emerging market economies increased to an estimated US$ 169.9 bn, from US$ 119.6 bn in the previous year. This, in turn, can be attributed to the sharp rise in current account surplus of countries in Asian and Pacific region which increased from US$ 100.3 bn in 2003 to US$ 130.4 bn in 2004. In the case of countries in the Latin American region, the current account surplus increased from US$ 10.5 bn in 2003 to US$ 23.9 bn in 2004, while the current account surplus for countries in Africa and Middle East also rose from US$ 10.2 bn to US$ 10.3 bn during the same period. In the case of countries in Europe, the current account

Composition of India's Merchandise Imports

(Rs. in bn)



registered a surplus of US$ 5.3 bn in 2004, 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 developing countries and emerging markets declined from 112.6 per cent in 2003 to 92.7 per cent in 2004. For developing countries and emerging markets in the Latin American region, external debt, as a proportion of exports of goods and services, was the highest at 166.9 per cent in 2004, followed by Africa (116.2 per cent), Central and Eastern Europe (106.0 per cent), CIS (81.0 per cent), Middle East (75.3 per cent), and Asia (63.3 per cent). Debt service payments for developing countries and emerging markets declined from 17.9 per cent in 2003 to 14.0 per cent in 2004.

INDIAN ECONOMY

During 2004-05*, reflecting sustained momentum in economic activity, the Indian economy registered an estimated growth of 6.9 per cent, as compared to the growth of 8.5 per cent registered during the previous year. Robust activity in the manufacturing sector and continued buoyancy in the services sector boosted overall growth during 2004-05.

Agriculture

After registering a sharp growth of 9.6 per cent during 2003-04, the agriculture sector witnessed a subdued growth rate of 1.1 per cent during 2004-05, primarily due to deficient south-west monsoon and resultant decline in overall foodgrains production. The non-foodgrains sector however registered a buoyant performance during the year. Foodgrains production is estimated to be lower at 206.4 mn tonnes during 2004-05 as compared to 212.4 mn tonnes during the previous year.

Industry

Industrial production registered a higher growth of 8.0 per cent during 2004-05, as compared to 7.0 per cent growth during the previous year. Sharp rise in the manufacturing sector growth of 8.8 per cent, as compared to 7.4 per cent rise during the previous year, underlined the performance of the industrial sector. The electricity

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

sector also registered a growth of 5.2 per cent during 2004-05, as compared to 5.1 per cent rise during the previous year. The mining sector, however, registered a lower growth of 4.3 per cent, as compared to 5.2 per cent during the previous year.

According to the use-based classification, the capital goods sector exhibited a growth rate of 12.6 per cent during 2004-05, as compared to 13.6 per cent growth during the previous year. The consumer durables sector also registered a sharp rise of 14.0 per cent during 2004-05, followed by consumer non-durables sector (10.4 per cent), intermediate goods sector (5.8 per cent), and basic goods sector (5.5 per cent).

Of the 17 sub-sectors in the manufacturing sector, five sectors registered growth rates of 10 per cent and above during 2004-05. These were beverages and tobacco, textiles products, basic chemicals and chemical products, machinery and equipment other than transport equipment, and other manufacturing industries. Two sectors, viz. food products, and wood and wood products, registered negative growth during the year.

Infrastructure

The six infrastructure and core industries, viz. cement, electricity, petroleum refinery products, coal, finished steel and crude petroleum, registered a growth of 4.4 per cent during 2004-05, as compared to the 6.2 per cent growth during the previous year. During 2004-05, cement, electricity, petroleum refinery products, coal, finished steel and crude petroleum registered growth rates of 6.6 per cent, 5.2 per cent, 4.3 per cent, 3.9 per cent, 3.7 per cent and 1.8 per cent, respectively, over the previous year.

Shri P Chidambaram, Hon'ble Minister for Finance, visited Exim Bank's Head Office. Shri Chidambaram visited Bank's Eximius Display Centre, which showcases a range of products manufactured and exported by Indian Companies, with support from Exim Bank.

Capital Markets

Net investment by Foreign Institutional Investors amounted to US$ 10.17 bn during 2004-05, as compared to US$ 9.95 bn during 2003-04. Capital raised from the primary market amounted to Rs. 282.56 bn from 60 issues during 2004-05, as compared to Rs. 232.72 bn from 57 issues during 2003-04.

Inflation

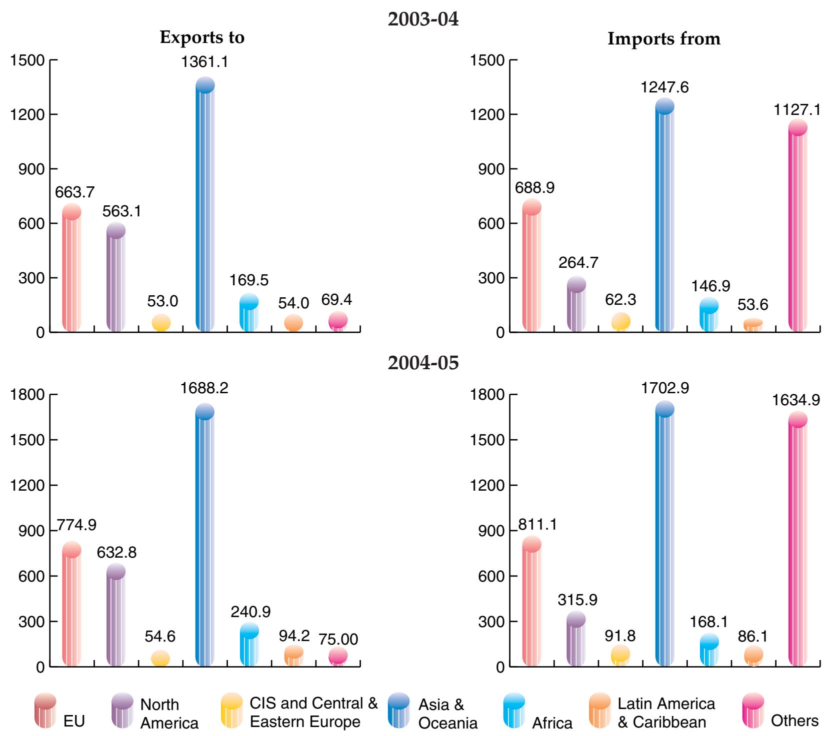
The rate of inflation, on a point-to-point basis, based on Wholesale Price Index, stood at 5.0 per cent at end-March 2005, as compared to 4.6 per cent at end-March 2004. Growth in money supply (M3) stood at 12.8 per cent during 2004-05, as compared to 16.9 per cent during 2003-04.

Foreign Trade and Balance of Payments

During 2004-05, merchandise exports registered a sharp rise of 24.1 per cent in US dollar terms. In absolute terms, merchandise exports amounted to US$ 79.2 bn during 2004-05, higher than the level of US$ 63.8 bn during 2003-04. This does not include software exports which rose from US$ 12.8 bn in 2003-04 to US$ 17.2 bn during 2004-05, reflecting a growth rate of 34.4 per cent. The buoyancy in exports can be attributed to the growth in global economic activity and increasing competitiveness of Indian exports. Export items which registered high growth during 2004-05 include iron ore, gems and jewellery, chemicals and related products, transport equipment, iron and steel, manufactures of metals, and petroleum products.

Direction of India's Merchandise Trade

(Rs. in bn)



Imports registered a rise of 37.0 per cent during 2004-05 to amount to US$ 107.1 bn, from US$ 78.1 bn during the previous year. Sharp rise in both oil and non-oil imports contributed to the rise in overall imports. Oil imports stood at US$ 29.8 bn during 2004-05, registering a growth of 45.1 per cent, as compared to the growth of 16.6 per cent during the previous year. Reflecting the buoyancy in domestic manufacturing activity, non-oil imports rose by 34.1 per cent during 2004-05 to amount to US$ 77.2 bn. Import items which registered high growth during 2004-05 include metalliferrous ores and metal scrap, fertilizers, electrical and non-electrical machinery, coal, coke and briquettes, organic and inorganic chemicals, electronic goods, gold and silver. The trade deficit during 2004-05 was higher at US$ 27.8 bn, as compared to US$ 14.3 bn during the previous year.

Ms. Marsha Thomson, Hon'ble Minister of ICT, State of Victoria, Australia led a delegation of ICT companies seeking to attract investment from Indian IT companies into the region. Exim Bank operates a comprehensive programme to support Indian investment overseas, and works with a number of investment promotion agencies, worldwide. The Bank has been closely associated with the growth of the Indian IT sector.

During 2004-05 (April-December), net inflow of invisibles amounted to

US$ 21.0 bn, as compared to US$ 26.0 bn during 2003-04. The current account balance, which registered a surplus of US$ 10.6 bn during 2003-04, showed a deficit of US$ 7.4 bn during 2004-05 (April-December).

Foreign direct investment inflows during 2004-05 (April-February) amounted to US$ 4.5 bn, as compared to US$ 4.7 bn during the previous year. Total foreign exchange reserves stood at US$ 140.9 bn as on end-March 2005 representing about 16 months of import cover.

India's total external debt increased from US$ 104.9 bn as on end-March 2003 to US$ 111.7 bn as on end-March 2004, and further to US$ 120.9 bn as on end-December 2004. The proportion of short-term debt to total external debt declined from 4.4 per cent as on end-March 2003 to 4.0 per cent as on end-March 2004, before increasing to 5.7 per cent as on end-December 2004.

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, Indian textile and garments industry is likely to benefit substantially.

Exim Bank's research paper has estimated that the world exports of textiles and garments is 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 (2003-04) level of 3 per cent (US$ 12.5 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 pharmaceuticals 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.

Premises of Marsing & Company A/S, Denmark (Marsing), engaged in manufacturing and trading of pharmaceutical products, in Copenhagen. Hikal Ltd., Mumbai based chemical and pharma company acquired 50.1% stake in Marsing through its wholly owned subsidiary, Hikal International BV, Netherlands with financial support from Exim Bank.

It is estimated that the global pharmaceutical sales in 2004 reached US$ 550 bn. It is further estimated that biotechnology products accounted for 27 per cent of active research and development in the pipeline and 10 per cent of global sales 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

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 recognized 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 cost of auto designing in India would be 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% (US$ 700 bn) is likely to be outsourced from developing countries like India. According to a study, Indian auto-component industry is likely to record high growth and reach US$ 40 bn by 2015, from the present level of around US$ 7 bn. Another study has evaluated this sector and viewed India as a principal source in terms of quality products.

Women artisans engaged in manufacturing handmade paper and paper products. Handmade Paper and Board Industries, Jaipur is a 100% export unit, which exclusively manufactures hand made paper products. Exim Bank has extended export finance to support the firm's overseas operations.

Traditional Medicines and Medicinal Plants

The global herbal market is estimated to be over US$ 80 bn and is growing at a rate of around 15 per cent every year. World Health Organisation (WHO) estimates that the global herbal market would reach US$ 5 trn by 2050. WHO also estimates that more than 70 per cent of the population in developing countries of Asia, Africa and Latin America are using traditional medicine for their primary healthcare. The usage of complementary or alternate medicine is increasing in most of the developed countries also.

India is in an advantageous position to tap the growing opportunities in this sector. Firstly, India, with a rich biodiversity, is estimated to have about 8000 species of plants that are in use under local health traditions. In terms of exports of medicinal plants, India is ranked second, next only to China, in the global map. Secondly, India has been using its rich biodiversity in the healthcare segment for over 5000 years and the Indian Systems of Medicine are time tested. Thirdly, India, like China, has also documented traditional systems of medicine and has abundant indigenous supply of herbs for manufacturing value added products. All these factors position India with comparative advantage to tap the global opportunities available in this sector.

Policy Environment

The new Foreign Trade Policy for the period 2004-2009 (FTP 2004-2009), announced by the Government in August 2004, takes an integrated view of the overall development of India's foreign trade and provides a roadmap for the development of the sector. The FTP 2004-2009 is built around two major objectives: to double India's per centage share of global merchandise trade within the next five years, and to act as an effective instrument of economic growth by giving a thrust to employment generation.

The key strategies envisaged by the FTP 2004-2009 include: creating an atmosphere of trust and transparency; simplifying procedures and reducing transaction costs; facilitating development of India as a global hub for manufacturing, trading and services; identifying and nurturing special focus areas to generate additional employment opportunities; facilitating technological and infrastructural upgradation of all sectors of the Indian economy to foster value addition and productivity; and upgrading infrastructural network related to the entire foreign trade chain to international standards. In line with international trade dynamics, the annual supplement to the FTP 2004-2009 announced in April 2005 incorporates additional policy initiatives and procedural simplifications, with a view to facilitating and enhancing India's international trade.

Dr. Kirit Parikh, Member-Planning Commission, Government of India, delivering the presidential address at Exim Bank's function to present the International Economic Development Research Annual Award 2003. Instituted in 1989, the Annual Award is given to an outstanding doctoral dissertation on international economics, trade and development and related financing, by an Indian student in Indian/foreign university.

To enhance foreign direct investment inflows, a number of measures were effected which include increase in the FDI limits in "Air Transport Services (Domestic Airlines)" upto 49 per cent through automatic route and upto 100 per cent by non-resident Indians (NRIs) through automatic route; increase in FDI ceiling from 49 per cent to 74 per cent in telecom sector in certain services (such as basic, public mobile radio trunked services, global mobile personal communication services and other value added services). FDI upto 100 per cent under the automatic route has been allowed in townships, housing, built-up infrastructure and construction-development projects, subject to certain conditions.

Further, new proposals for foreign investment/technical collaboration, where the foreign investor has or had any previous joint venture or technology transfer/trademark agreement, would be allowed under the automatic route, subject to certain sectoral conditions.

Foreign investment in the banking sector has been further liberalised by raising FDI limit in private sector banks to 74 per cent under the automatic route including investments by Foreign Institutional Investors (FIIs). The aggregate foreign investment in a private bank from all sources would be a maximum of 74 per cent of the paid-up capital of the bank and at all times, at least 26 per cent of the paid-up capital held by residents except in regard to a wholly owned subsidiary (WOS) of a private bank. Further, foreign banks have been permitted to either have branches or subsidiaries. Foreign banks regulated by a banking authority in the home country and meeting Reserve Bank of India (RBI's) licence criteria will be allowed to hold 100 per cent paid-up capital to enable them to set up wholly-owned subsidiaries in India.

Further, a roadmap for presence of foreign banks in India has been released, which is divided into two phases: phase one, between March 2005 and March 2009, during which foreign banks will be permitted to establish presence by way of setting up WOS or conversion of existing branches into WOS; phase two, commencing in April 2009, after a review of the experience gained and after due consultation with all the stakeholders in the banking sector.

With a view to align the customs duty structure closer to that of East Asian countries, under the Union Budget for 2005-06, the peak rate of customs duty for non-agricultural products has been reduced from 20 per cent to 15 per cent. To promote investment, customs duty on select capital goods and parts has been reduced to below 15 per cent to 10 per cent in some cases and to 5 per cent in some others. Customs duty on specified machinery used in pharmaceutical and biotechnology sectors has also been reduced to 5 per cent. Further, customs duty on textile machinery and refrigerated vans has been reduced from 20 per cent to 10 per cent.

Larsen & Toubro Limited (L&T), one of India's largest technology driven companies, is also a leading project exporter and offers integrated services in world markets. A view of Songo Songo Gas Electricity Project in Tanzania, funded by World Bank and European Investment Bank, being executed by L&T for Songas Ltd, Tanzania. Exim Bank has provided bid intervention support as also loans and guarantees to L&T.

Amendments to the Banking Regulations Act, 1949 would be introduced to remove the prescribed bounds to the statutory liquidity ratio (SLR) and provide flexibility to Reserve Bank of India to prescribe prudential norms. Amendments are also to be introduced to the Reserve Bank of India Act, 1934 to remove the limits of the cash reserve ratio (CRR) to facilitate more flexible conduct of monetary policy.

To enhance credit to the agriculture and small scale industry sectors, the Mid-term Review of Annual Policy for 2004-05 has proposed increase in disbursements by banks to small and marginal farmers to 40 per cent of their direct advances under special agricultural credit plans by March 2007; formulation of special agricultural credit plans by all private sector banks from 2005-06; enhancement of the composite loan limit for SSI entrepreneurs from Rs. 5 mn to Rs. 10 mn.

100 per cent Export Oriented Units (EOUs) and units in Electronic Hardware Technology Parks, Software Technology Parks and Bio-Technology Parks have been allowed to repatriate the full value of export proceeds within a period of 12 months.

India: Fast Forward

(Major Policy Changes in 2004-05)

Credit Policy

- Banks to increase disbursements to small and marginal farmers to 40 per cent of their advances under special agricultural credit plans by March 2007.
- Formulation of special agricultural credit plans by all private sector banks from 2005-06.
- Enhancement in banks' composite loan limit for SSI entrepreneurs from Rs. 5 mn to Rs. 10 mn.

Trade Policy

- New Foreign Trade Policy 2004-2009 announced, which envisages doubling of India's per centage share on global merchandise trade within five years.
- Peak rate of customs duty on non-agricultural products reduced from 20 per cent to 15 per cent.
- Customs duty on select capital goods and parts, textile machinery and specified machinery in pharma and biotech sectors reduced.

Investment Policy

- FDI limits in "Air Transport Services (Domestic Airlines)" increased to 49 per cent through automatic route and upto 100 per cent by non-resident Indians (NRIs) through automatic route.
- FDI upto 100 per cent under the automatic route allowed in townships, housing, built-up infrastructure and construction-development projects, subject to certain conditions.
- New proposals for foreign investment/technical collaboration, where the foreign investor has or had any previous joint venture or technology transfer/trademark agreement, allowed under the automatic route, subject to certain conditions.
- Foreign investment in the banking sector further liberalised; a roadmap for presence of foreign banks in India released.

Foreign Exchange Policy

- 100 per cent Export Oriented Units (EOUs) and units in Electronic Hardware Technology Parks, Software Technology Parks and Bio-Technology Parks allowed to repatriate the full value of export proceeds within a period of 12 months.

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, 2005.

REVIEW OF OPERATIONS

During 2004-05 (April-March), the Bank sanctioned Rs. 158.53 bn under various lending programmes as against Rs. 92.66 bn in the year 2003-04 (April-March), registering a growth of 71.1 per cent. Disbursements during the year were Rs. 114.35 bn as against Rs. 69.57 bn during 2003-04, representing 64.4 per cent growth. Loan assets as on March 31, 2005 were Rs. 134.10 bn, registering an increase of 24.5 per cent over the previous year. During the year, the Bank sanctioned guarantees aggregating Rs. 15.89 bn as against Rs. 10.79 bn in 2003-04. Guarantees issued amounted to Rs. 16.60 bn as against Rs. 5.74 bn in 2003-04. Guarantees in the books of the Bank as on March 31, 2005 were Rs. 23.73 bn as against Rs. 15.77 bn as on March 31, 2004. Rupee loans and advances accounted for 57.2 per cent of the total loan assets as on March 31, 2005 while the balance 42.8 per cent were in foreign currency. Short-term loans accounted for 22.4 per cent of the total loans and advances. The Bank registered profit before tax of Rs. 3.14 bn on account of General Fund during 2004-05 as against a profit of Rs. 3.04 bn for the year 2003-04. After providing for income tax of Rs. 564 mn, profit after tax amounted to Rs. 2.58 bn during 2004-05 as against Rs. 2.29 bn during 2003-04. Out of this profit, Rs. 654.4 mn accounts for dividend to the Government of India (GOI). A provision of Rs. 85.5 mn has been made for tax on distributed profit by way of dividend. An amount of Rs. 1.19 bn is transferred to Reserve Fund. In addition, the Bank has transferred Rs. 150 mn to Investment Fluctuation Reserve, Rs. 100 mn to Sinking Fund and Rs. 400 mn to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961. Profit before tax of the Export Development Fund during 2004-05 was Rs. 17.1 mn as against Rs. 20.9 mn during 2003-04. After providing for tax of Rs. 6.3 mn, the post tax profit amounted to Rs. 10.8 mn as against Rs. 14.7 mn during 2003-04. The profit of Rs. 10.8 mn is carried forward to next year.

Banks' Board of Directors' meeting in progress for approval of financial results for the 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. New Initiatives
IV. Financial Performance
V. Information and Advisory Services
VI. Promotional Programmes
VII. Information Technology
VIII. Research and Analysis
IX. Human Resources Management
X. Progress in Implementation of the Official Language Policy
XI. Representation of Scheduled Castes, Scheduled Tribes and Other Backward Classes.

I. *PROJECTS, PRODUCTS AND SERVICES EXPORTS*

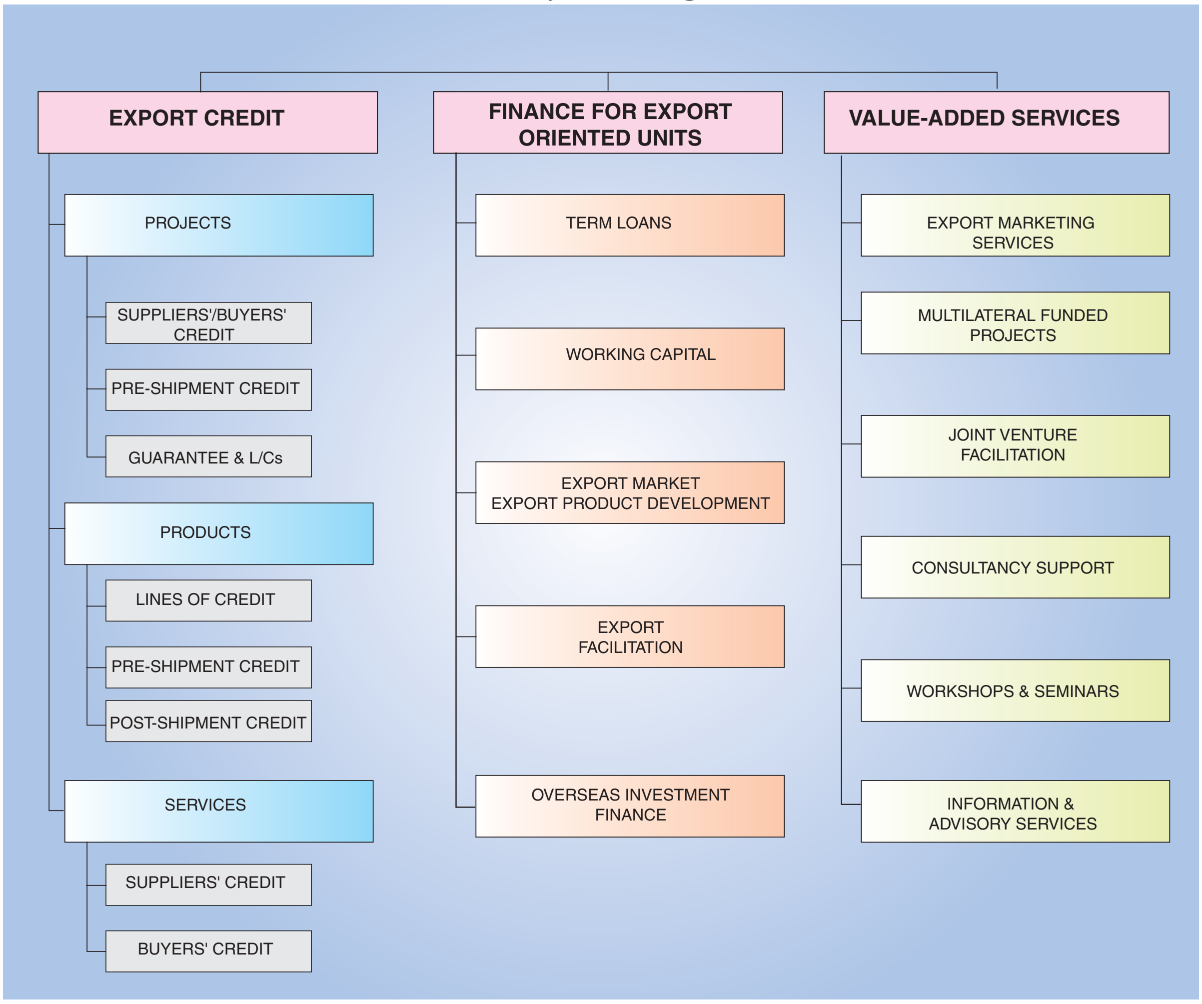
Export Contracts

During the year, five hundred and seventy contracts amounting to Rs. 79.45 bn covering sixty four countries, were secured by one hundred and ninety eight Indian exporters with Exim Bank's support, as against one hundred and sixty four contracts worth Rs. 75.43 bn covering forty eight countries, secured by ninety six Indian exporters during the previous year. Exim Bank/Working Group* accord clearance to such export contracts.

The contracts secured during the year with Exim Bank's support consisted of twenty two turnkey contracts valued at Rs. 23.40 bn, eleven construction contracts valued at Rs. 14.90 bn, five hundred and twenty six supply contracts valued at Rs. 38.52 bn and eleven consultancy contracts valued at Rs. 2.63 bn.

Some major turnkey contracts secured during the year included a multi-product pipeline contract in Sudan; transmission line projects in Ethiopia, Iraq, Libya, Oman and UAE; electro-mechanical works for sports and entertainment centre in

Bank's Major Programmes



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

Qatar, ethanol plant in Colombia; and water demineralising plant in Taiwan.

Construction contracts included water transmission system in Oman, rehabilitation of roads in Afghanistan; laying of sewerage line in Saudi Arabia; construction of coffer dams in Qatar; contract for gas transmission pipeline project in Bangladesh, and construction of fabricated LNG vessels in Equatorial Guinea.

Supply contracts secured during the year included export of pharmaceuticals, textiles, gems and jewellery and fine chemicals to countries in America, Europe and South East Asia, automobiles and auto components to countries in Africa and South Asia, bauxite to Latin America and East European countries, and agri-products to West Asian and South East Asian countries.

Some of the major technical consultancy and services contracts included charter hire of a rig in Iran, management of cement plants in Saudi Arabia, erection of storage tanks for effluent and water disposal plants in Kuwait, strengthening of procurement administration in Guyana and engineering consultancy for floating roof gasoline storage tanks in Qatar.

Export Credits and Guarantees

During the year, Bank sanctioned Rs. 62.14 bn by way of suppliers' credit, buyers' credit, and finance for project exports as against Rs. 45.58 bn during the previous year, which exhibits 36 per cent rise in sanctions during the year. Disbursements amounting to Rs. 53.45 bn were made during the year, as compared to Rs. 41.01 bn during the previous year, an increase of 30 per cent.

Guarantees sanctioned amounted to Rs. 15.89 bn as against Rs. 10.79 bn sanctioned 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

Bank has laid 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

Range of Products and Services

exporters, especially to small and medium enterprises (SMEs) and serves as an effective market entry tool. Being in an increasingly competitive environment, Exim Bank is proactively seeking to expand the 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 sixteen LOCs, aggregating US$ 423 mn to support export of projects, goods and services from India. LOCs extended by Exim Bank during the year comprise LOCs to Unibanco, Brazil; Myanma Foreign Trade Bank, Myanmar; PTA Bank, Africa; Governments of Angola, Guyana, Lesotho, Mauritius, Mozambique, Senegal, Suriname, Vietnam; six Iranian commercial banks. A line of credit of US$ 150 mn to Ceylon Petroleum Corporation, Sri Lanka is also in place for financing export of petroleum products from India. Forty-four LOCs covering sixty-eight countries, with credit commitments aggregating US$ 953 mn are currently available for utilization, while a number of LOCs are at various stages of negotiation.

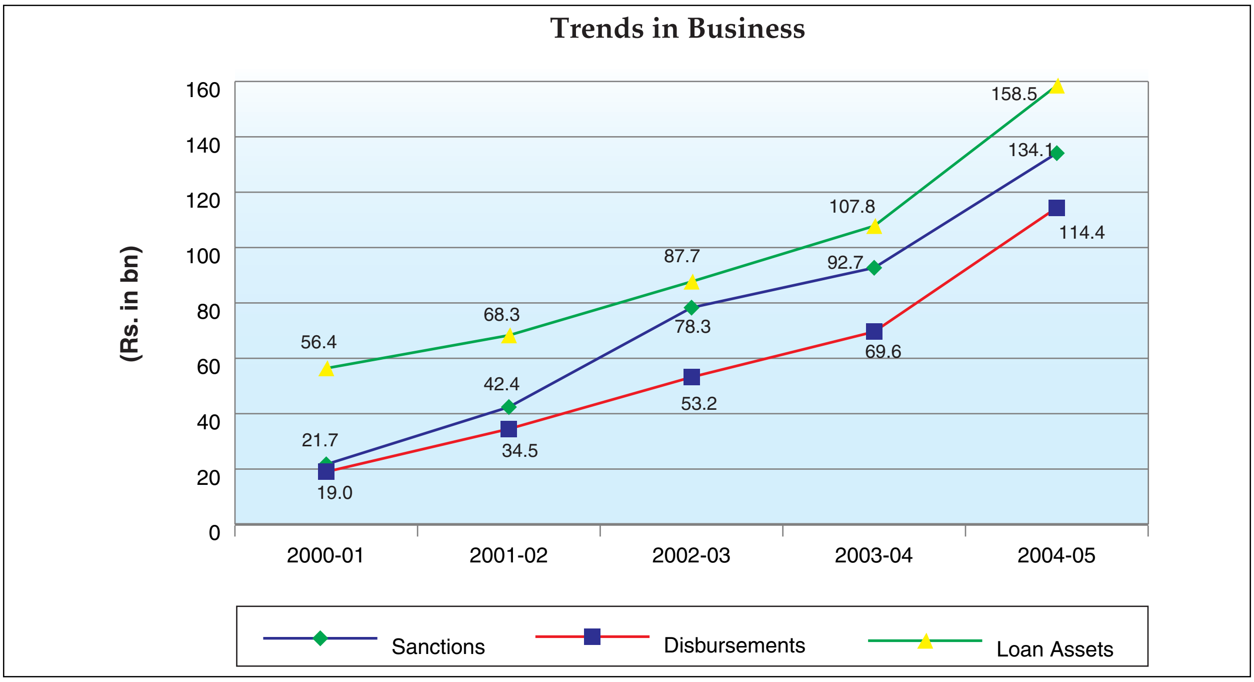
II. *BUILDING EXPORT COMPETITIVENESS*

The Bank operates a range of financing programmes aimed at enhancing the export competitiveness of Indian companies. During 2004-05, Bank sanctioned loans aggregating Rs. 83.95 bn under the programmes for enhancing export competitiveness. Disbursements amounted to Rs. 57.02 bn under these programmes.

Loans to Export Oriented Units

During the year, the Bank sanctioned term loans of Rs. 21.14 bn to sixty-nine export oriented units. Disbursements amounted to Rs. 16.31 bn.

Under Production Equipment Finance Programme, twenty eight exporting companies were sanctioned Rs. 7.24 bn for financing acquisition of production equipment. Disbursements amounted to Rs. 4.76 bn.



Forty five companies were sanctioned long term working capital loans aggregating Rs. 19.27 bn. Disbursements amounted to Rs. 15.97 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, 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, sanctioned loans aggregating Rs. 6.69 bn to twenty seven companies. Disbursements aggregated Rs. 2.28 bn.

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 alongwith the Indian promoter. During the year, eleven corporates were sanctioned funded and non-funded assistance aggregating Rs. 5.48 bn for part financing their overseas investments in seven countries. Exim Bank has provided finance to 122 ventures set up by over 100 companies in 43 countries so far. Aggregate assistance extended for overseas investment amounts to Rs. 18.88 bn. Overseas investments financed by Exim Bank during the year include: acquisition of a stainless steel plant in Indonesia; acquisition of a BPO services company in the USA; acquisition of a pharmaceuticals company in Denmark; acquisition of an engineering company manufacturing transformers, headquartered in Belgium, with factories situated in five countries; finance for setting up a consumer durables dealer network in the UK; funded / non-funded assistance by way of working capital for joint ventures in the pharmaceuticals sector in Brazil, USA and Mexico; acquisition of an auto ancillaries unit in the USA, with both loan and equity support.

Bank co-sponsored an international programme for Small Business Competitiveness Development with the Commonwealth Secretariat, London and National Small Industries Corporation Ltd. The programme focussed on building institutional capacity through competitive small business policies and strategies for the Commonwealth countries. Small and Medium Enterprise (SME) exporters are a significant target group of clients and Bank's SME Group seeks to address this sector in a focussed manner. Shri Mahavir Prasad, Hon'ble Minister for Small Scale Industries & Agro and Rural Industries inaugurated the 5 day seminar attended by 57 participants from 33 Commonwealth countries.

Export Facilitation Programme

During the year, the Bank sanctioned Rs. 4.48 bn for minor ports, the machine tool industry and for an information technology park. Disbursements amounted to Rs. 3.15 bn.

FINANCE FOR IMPORTS

Bulk Import Finance

Under Bulk Import Finance Programme, sanctions and disbursements amounted to Rs. 12.37 bn and Rs. 7.39 bn, respectively.

Import Finance Programme

Under Import Finance Programme, eight companies were sanctioned term loans aggregating Rs. 11.63 bn. Disbursements amounted to Rs. 3.43 bn.

Loan Recovery Group

A Loan Recovery 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 Justice 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. NEW INITIATIVES

Small and Medium Enterprises Group

The Bank has been focussing on Small and Medium Enterprise (SME) exporters as a significant target group of clients. Since SMEs, as a category of borrowers, have credit needs and other support requirements, which are distinctly different from large corporates, the Bank has taken the initiative to set up an SME Group to address this sector in a focussed manner. The Group handles proposals from companies/firms with annual turnover of upto Rs. 750 mn.
The primary objective of the Group is to develop a portfolio of externally oriented SME clients for the Bank and also to ensure smooth credit delivery to these clients.

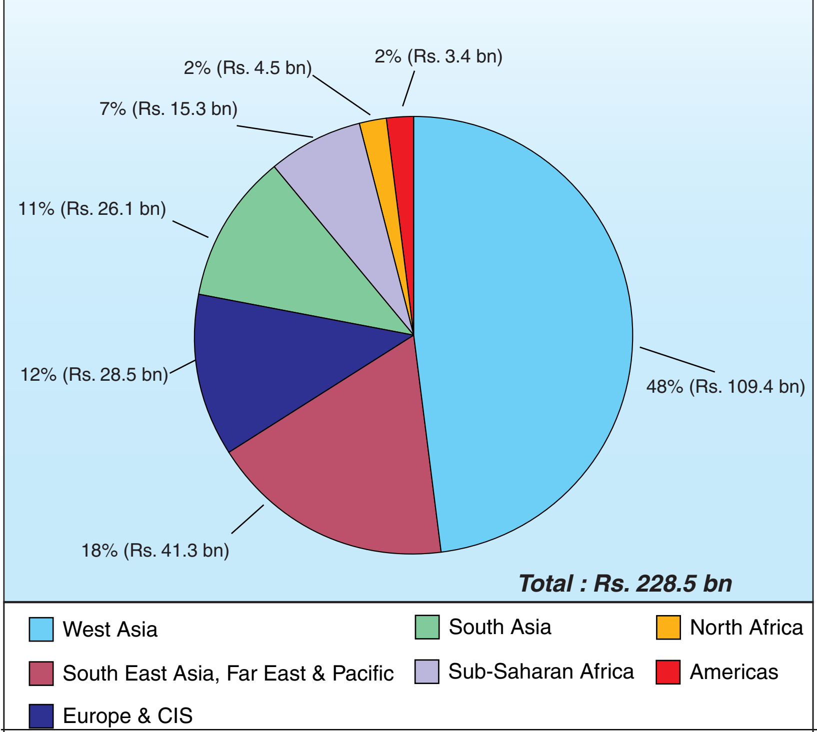
The Bank's support to the SME sector included term loans for setting up of new projects, modernisation, expansion as also equipment finance and export credit by way of pre-shipment/post-shipment credit including working capital term loans. During the year, SMEs across the country and from a wide range of sectors such as textiles, readymade garments, chemicals, information technology, pharmaceuticals, auto components and engineering goods were extended credit by the Bank. During the year, Bank sanctioned credit facilities amounting to Rs. 1.34 bn.

Production line for manufacture of formulations from generics exported from India at Cellofarm Ltd, Brazil, an overseas joint venture of Strides Arcolab Ltd, Bangalore financed by Exim Bank under its Overseas Investment Finance Programme. Cellofarm Ltd. is engaged in manufacture/ marketing of pharmaceutical formulations and caters mainly to hospitals and private suppliers in Brazil.

Agri Business Group

Exim Bank has identified agri-exports as a focus area and has established an 'Agri Business Group' which aims to facilitate, promote and finance agri business having export potential. Sanctions and disbursements of the Agri Business Group during the year 2004-05 aggregated Rs. 5.82 bn and Rs. 4.95 bn, respectively. Bank's finance to the agri sector during the year included term finance for food processing, floriculture, fruits and vegetables and contract farming sectors. Pre-shipment/post-shipment credit was also extended to finance exports of a wide range of agro-based products including basmati rice, wheat, coffee, maize, cattle feed, groundnut kernels, herbal extracts, cashew, sesame seeds, mushrooms, gherkins and fresh as well as processed fruits and vegetables. Export markets for these products included USA, Japan, Republic of Korea, Singapore, South Africa and UAE.

Project Export Contracts Supported by Exim Bank
(Under Execution)



Note: As on March 31, 2005, 175 project export contracts valued at Rs.228.5 bn were under under execution in 43 countries by 41 Indian Companies with Exim Bank's support. These cover construction, turnkey and consultancy contracts.

Bank's bi-monthly publication titled 'Agri Export Advantage', which is brought out in English, Hindi and ten regional languages, provides updates on WTO related issues, government schemes/assistance available for agro-based products, international events and Bank's initiatives in agri business. The publication also includes global market analysis for various agri products and information on agri products having high export potential.

Exim Bank, Export Credit Guarantee Corporation of India Ltd. (ECGC) and the World Bank's Multilateral Investment Guarantee Agency (MIGA) have formed a partnership that will provide a package of services that combines competitively-priced financing with risk mitigation to Indian companies investing overseas. The objective is to support the outward expansion of Indian companies, as they increasingly seek opportunities to invest overseas. Outbound foreign direct investment by Indian companies is about US$1 bn a year and growing.

The Bank's agro-portal (www.eximbankagro.com), an in-house IT initiative, 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.

Bank has strengthened its linkages with relevant organizations in the sector such as NABARD, APEDA, Agricultural Finance Corporation Ltd., Central Food Technological Research Institute, National Horticultural Board and Small Farmers' Agri Business Consortium which help to leverage their respective strengths with a view to further augment exports of agricultural products from India.

Publication on food processing technologies

The Bank has a Memorandum of Understanding with Central Food Technological Research Institute (CFTRI) to promote small-scale food processing projects particularly in Africa and CIS region. During the year, Bank brought out a publication titled 'Market Maker: Technology Aided Business Solutions' containing project profiles in food processing sector based on CFTRI technologies.

International Credit Rating

The Bank obtained credit ratings from international credit rating agencies for its maiden foreign currency international bond issue during 2004-05. The issue was rated Baa3 by Moodys, BB+ by Fitch and BB by S&P, (subsequently upgraded to BB+ by S&P on upgradation of the sovereign rating), on par with the country's sovereign rating. The Bank's debut offering of US$ 250 mn in the international debt capital market in July 2004 was well received by international investors.

Bharat Heavy Electricals Ltd. (BHEL) which ranks among the major power plant equipment suppliers in the world, is one of the largest turnkey exporters of engineering products and services from India in the energy infrastructure sector. A view of 4x156.1 MW Al-Jabal Al-Gharbi Gas Turbine based Power Project (West Mountain Gas Power Project) in Libya under execution by BHEL for General Electric Company of Libya. Exim Bank has provided guarantees and loans to the company.

Financing of Services Sector

Services sectors financed during the year included entertainment, healthcare, hospitality and shipping. During the year, loans were extended to three companies in the entertainment industry, engaged in film production. Of the seven films (six Hindi, one Tamil) financed by the Bank during the year, all the three Hindi films which were released proved to be box office hits, both in India and abroad, earning foreign exchange in excess of US$ 8 mn, excluding revenues from the sale of DVD/VCD/Cable rights in the overseas market. The three other Hindi films are being released shortly. Bank has entered into the business of film financing on a very selective basis. Bank's approach towards film financing is to focus on foreign exchange earning projects and select borrowers with proven track record.

Equity and other Structured Finance Products

Exim Bank has commenced offering equity related products as part of project finance as well as treasury operations. During the year, the Bank was involved in several innovative structured finance transactions, exceeding US$ 100 mn. These include finance for international operations of a consumer durables company; finance for exploration, drilling and production of oil and gas; finance against securitisation of receivables for import and supply of telecom equipment; performance guarantee on behalf of a company in the steel sector, to enable it to access international finance.

Investment in Development Bank of Zambia and West African Development Bank (BOAD)

Bank has taken up equity in Development Bank of Zambia during 2004-05. The Development Bank of Zambia is a Development Finance Institution which has been restructured and assigned to play a pivotal role in promoting Zambia's economic development. Bank has also signed a strategic partnership arrangement with Development Bank of Zambia to strengthen export and investment opportunities for Indian firms. Bank has also taken an equity stake in West African Development Bank (BOAD), headquartered in Lome, capital of Togo in West Africa. Exim Bank of India is the first non-regional and non-European institution to be admitted as a shareholder of BOAD. BOAD is keen to strengthen institutional relationship with Exim Bank of India to promote trade, investment and technology transfer from India to West Africa. Bank has Board level representation in both these institutions.

A shop floor view of PT. Jindal Stainless Indonesia (PTJS), a wholly owned subsidiary of Jindal Stainless Ltd., (JSL), New Delhi. The overseas facility to manufacture 50,000 TPA cold rolled stainless steel coils and sheets was acquired by JSL with term loan support from Exim Bank under its overseas investment finance programme. The Bank has also extended Buyer's Credit to PTJS for import of hot rolled steel from India.

Quarterly Publication on Indo-African Business

A quarterly magazine titled 'Indo-African Business' which focusses on bilateral trade and investment between India and Africa was launched in August 2004. The magazine, an initiative of Exim Bank, addresses the business information needs of companies who are interested in trade with the African region. The magazine is widely distributed to key constituents in India and in the African region, and the embassies. This is the second region specific magazine being brought out by Exim Bank, the other being 'Indo-LAC Business', the quarterly magazine covering Latin America and the Caribbean region, which is well received amongst the constituents.

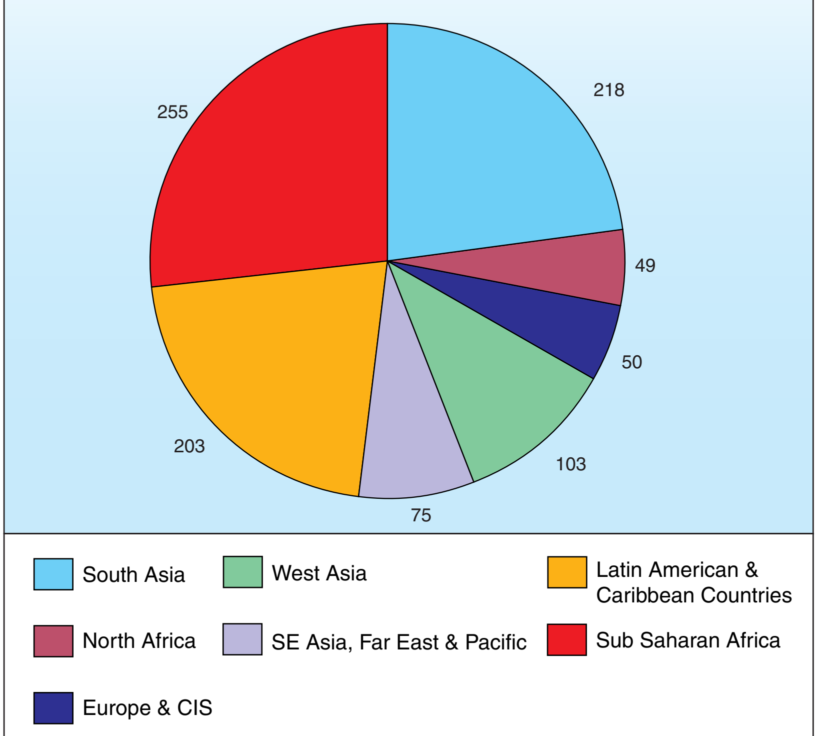
Participation in Overseas Trade Fairs

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', Almaty, Kazakhstan, organised by the Engineering Export Promotion Council of India.

Seminars and Workshops

The Bank organised a number of focussed seminars and workshops to highlight its initiatives in several areas to keep its constituents abreast of developments, and to create a facilitating environment for promoting trade and investment. Amongst the key programmes organised were : A National Conference on 'Project Exports – Realising the Indian Potential', and a Conclave on 'India – Africa Project Partnership 2005,' both in association with Confederation of Indian Industry, were held in New Delhi. The high profile Conclave was attended by 230 representatives from 24 African nations including Vice President of Democratic Republic of Congo, Deputy Prime Minister of Chad and Cabinet Ministers, in addition to representatives from banks, financial institutions and industry from various African countries; Seminars on Business Opportunities in African Development Bank (AfDB) Funded Projects conducted at New Delhi, Mumbai and Bangalore, with expert faculty from AfDB. A highlight of the New Delhi seminar was the presence of Mr. Omar Kabbaj, President, AfDB. Seminars on 'Development of Domestic Consulting Services' at New Delhi and Mumbai in association with Asian Development Bank (AsDB) and Consultancy Development Centre, with expert faculty from AsDB; Exim Bank - Multilateral Investment Guarantee Agency (of the World Bank Group) - Export Credit Guarantee Corporation of India Ltd., Partnership event, held in Mumbai, setting in place a

Active Lines of Credit as on March 31, 2005
(US$ in mn)



Note: Forty-four LOCs covering sixty-eight countries, with credit commitments aggregating US$ 953 mn, are available for utilisation as on March 31, 2005.

KEC International Ltd. (KEC) is one of the largest power transmission turnkey contractors in the world, having constructed over 35,000 km of transmission lines, worldwide. Seen above is the 90/150/225/400 KV 660 km transmission line in Tunisia for Société Tunisienne de l'Electricité at Gaz. Exim Bank has provided guarantees and loans to KEC.

partnership to provide financing and insurance solutions to support outward investment; Workshops on 'Market Entry and Market Access Strategies for Indian firms in Europe', at Bangalore and 'Market Access and Technical Requirements in European Countries' at Mumbai, in association with Centre for Promotion of Imports from Developing Countries, The Netherlands; Seminar on 'Enhancing Investment, Growth and Reform in South Asia' at Mumbai, in association with Institute of International Finance, Washington D.C.; 'International Healthcare and Herbal Expo' at New Delhi, in association with the Voluntary Health, Education and Rural Development Society, Chennai.

Joint Ventures

Global Trade Finance Private Limited (GTF), a joint venture, promoted by Exim Bank, with Westdeutsche Landesbank Girozentrale (West LB), Germany and International Finance Corporation (IFC), Washington D.C., achieved a turnover of Rs. 19 bn and a net profit of Rs. 61.2 mn in 2004-05. FIM Bank, Malta has since replaced West LB as the overseas partner. GTF provides market driven export financing solutions for small and medium sized Indian exporters (SMEs) operating in an increasingly competitive world trade environment. GTF offers, for the first time in India, structured foreign trade financing products such as forfaiting and factoring.

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. 15.38 mn in 2004-05 with a pre-tax profit of Rs. 4.68 mn. GPCL secured several assignments including independent procurement review assignments funded by the World Bank in Uganda, Malawi, Nigeria, Eritrea, Ghana and Romania. GPCL is a joint venture between Exim Bank and 13 other reputed private and public sector companies with expertise in diverse fields. GPCL provides procurement related advisory and auditing services, primarily for projects funded by multilateral agencies in various developing countries.

Management students from PLEI University, Mexico visited the Bank as part of their study tour in India. Exim Bank networks with agencies/ institutions to promote international trade and strengthen economic linkages. The Bank has extended a Line of Credit of US $ 10 mn to Bancomext, Mexico.

Interaction with Industry

Exim Bank has been having regular interaction and exchange of views with the industry and has been in constant contact with experts and select exporting companies through an interactive website.

IV. FINANCIAL PERFORMANCE

Resources

As at March 31, 2005, the Bank's resources including paid-up capital of Rs. 8.50 bn and reserves of Rs. 16.62 bn aggregated

Rs. 184.27 bn. Bank's resource base includes bonds, certificates of deposit, commercial paper, term loans and foreign currency deposits/ borrowings/ long term swaps.

Bank issued Commercial Papers of face value Rs. 17.05 bn as part of short-term liquidity management. During the year, Bank raised Rs. 9.55 bn by way of private placement of bonds for tenors ranging from 1 to 3 years. Bank also availed term loans of Rs. 5.25 bn from banks.

Bank's debt instruments continued to enjoy the highest rating viz. 'AAA' from the rating agencies, CRISIL and ICRA. As on March 31, 2005, outstanding Rupee borrowings including bonds and commercial papers amounted to Rs. 93.18 bn.

The Bank raised US$ 300 mn by way of Eurodollar bonds/FRNs and US$ 50 mn by way of borrowings/ reciprocal term deposits out of the 'on shore funds' of commercial banks. During the year, the Bank raised US$ 200 mn for extending finance by way of export credit. The Bank also exchanged US$ 100 mn equivalent by way of Rupee/US$ Medium Term Swap during 2004-05. As at March 31, 2005, the Bank had a pool of foreign currency resources equivalent to US$ 1.40 bn.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at Rs. 3.14 bn and Rs. 2.58 bn respectively during the year 2004-05, as compared to the previous year's PBT and PAT of Rs. 3.04 bn and Rs.2.29 bn, respectively. Business income comprising interest, discount, exchange commission, brokerage and fees during 2004-05 was Rs. 10.81 bn as compared to Rs. 9.11 bn in 2003-04. Investment income, interest on bank deposits etc. during 2004-05 was Rs. 3.79 bn as compared to Rs. 3.26 bn in 2003-04. Interest expenditure in 2004-05 at Rs. 7.42 bn was higher by Rs. 1.17 bn mainly due to an increase in the borrowings. Non-interest expenses worked out to 6.13 per cent of total expenses during 2004-05 as against 6.47 per cent during 2003-04. The average cost of borrowings (interest expenditure as a per cent of average borrowings) decreased from 5.96 per cent as at March 31, 2004 to 5.68 per cent as at March 31, 2005.

A view of Gherkin (pickling Cucumber) field in Karnataka, in Southern India. About 10000 MTs of Gherkin crop is grown for processing at the plant of Global Green Company Limited (GGCL), a 100% export unit at Obalapura in Hoskote Taluk of Karnataka. Over 10000 small and marginal farmers are benefited by GGCL's exports.

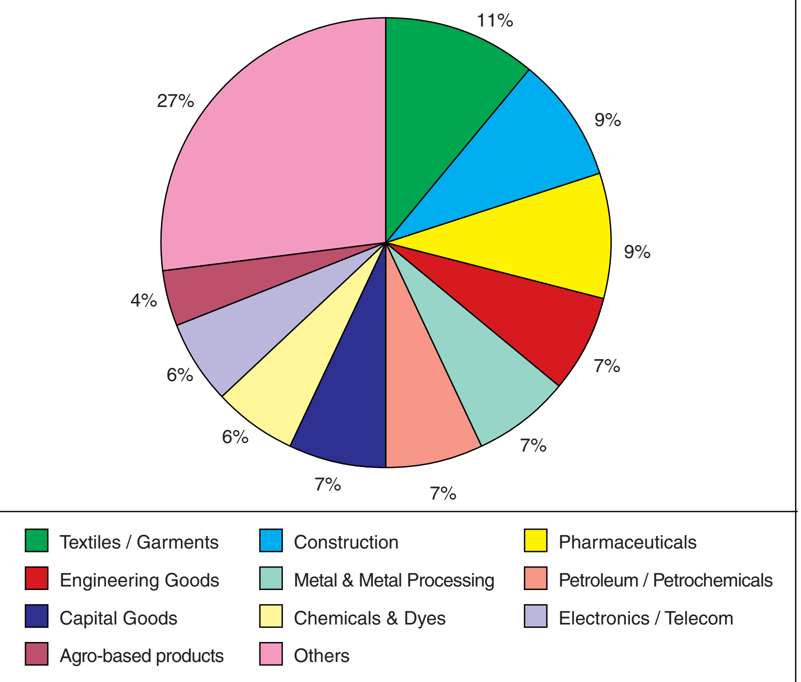
Capital Adequacy

The Capital to Risk Assets Ratio (CRAR) was 21.58 per cent as on March 31, 2005, as compared to 23.48 per cent as on March 31, 2004, as against a minimum 9 per cent norm stipulated by RBI. The Debt-Equity Ratio as on March 31, 2005 was 5.43:1, as compared to 5.30:1 as at March 31, 2004.

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 per centage points (i.e. 5 per cent of total capital funds) and ten per centage points (i.e. 10 per cent of total capital funds) respectively (over and above the maximum limits of 20 per cent and 45 per cent respectively), provided the additional credit exposure is on account of infrastructure projects.

Sector-wise Exposure as on March 31, 2005



Note: **"Others"** includes Auto & Auto Ancillaries, Computer Software, Infrastructure, Plastics & Packaging, Paper, Shipping, Consumer Goods, Jute, Ceramics and Gems & Jewellery.

Signing of Memorandum of Co-operation (MOC) with International Trade Centre (ITC), Geneva to implement the innovative Enterprise Management Development Services (EMDS) programme for supporting upgradation of Small and Medium Enterprises (SMEs) towards their globalisation efforts. The programme has been launched by ITC for the first time in any country, and the role of Exim Bank, as ITC's partner, meshes well with the Bank's initiative in setting up a dedicated SME Group to support this vibrant sector.

The Bank's credit exposures to single and group borrowers as at March 31, 2005 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 total loan portfolio, except in the case of textiles for which it is 20 per cent. The Bank's exposure to a single industry sector was not more than 11 per cent of its total exposure as at March 31, 2005.

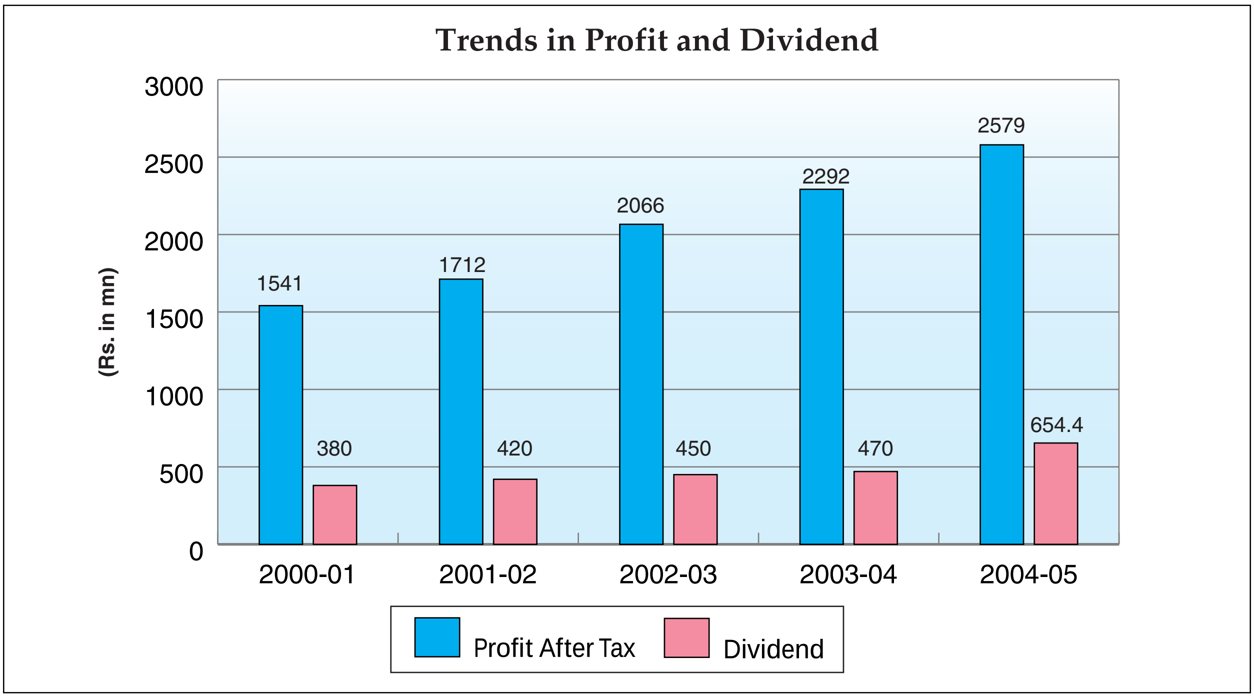
Treasury

The Bank has an integrated treasury and all treasury functions viz., funds placement (both rupee and foreign currency) money market operations, securities trading, foreign exchange deals are being undertaken through the state-of-the-art Dealing Room. The range of products offered by the Bank's treasury to its clients include cash/tom/spot/forward forex deals, interest rate swaps/forward rate agreements/floating rate loans, issue of letters of credit/guarantees etc. The Bank is a member of Indian Financial Network (INFINET) and has Registration Authority status from Institute for Development Research in Banking Technology (IDRBT), the certifying authority. The Bank holds the digital certificate to deal through the 'Negotiated Dealing System' of RBI which provides electronic dealing platform for trading in GOI Securities. The securities/forex transactions of the Bank are mostly routed through the guaranteed settlement facility provided by Clearing Corporation of India Ltd (CCIL).

The Bank is also a member of Collateralised Borrowing and Lending Obligation (CBLO) segment of CCIL.

Asset-Liability Management (ALM)

The Bank's Asset Liability Management Committee (ALCO) meets at least twice a month to review and address liquidity/interest rate risks. The Bank's Business/Resources plan is prepared at the beginning of the year and borrowings are raised in tranches during the year. Prudential limits have been fixed for gaps in all the time-buckets in the ALM profile. The Bank has put in place a comprehensive ALM policy which addresses management of the main elements of market risks viz. liquidity, interest-rate and currency risks. Liquidity risk is managed within the liquidity policy framework, which encompasses fund planning and periodical stress testing. Net-interest income (NII) volatility approach and duration analysis approach, have been adopted to manage interest-rate risk. The Audit Committee reviews the functioning of ALCO and the Management Committee of the Board of Directors also oversees the functioning of the ALCO.



Risk Management

The Bank has constituted an Integrated Risk Management Committee (IRMC) which is independent of operating groups and reports directly to 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 ALCO and the Credit Risk Management Committee (CRMC), both 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.

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 180 days, is defined as a Non-Performing Asset (NPA). The Bank's NPAs (net of provisions) worked out to 0.85 per cent of its loans and advances (net of provisions) as at March 31, 2005, as compared to 1.26 per cent as at March 31, 2004.

Asset Classification

'Sub-standard assets' are those where interest and/or principal remains overdue for more than 180 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 considered uncollectable. Out of net NPAs at 0.85 per cent of net loans and advances as at March 31, 2005, sub-standard and doubtful assets worked out to 0.37 per cent and 0.48 per cent respectively, 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.

The Rajya Sabha Committee on Subordinate Legislation, led by Shri A. Vijayaraghavan, Hon'ble Member of Parliament, held discussions with Exim Bank.

V. INFORMATION AND ADVISORY SERVICES

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

During the year, the Bank provided a range of services to Indian companies. Information on dealers and importers of water filters/ purifiers and vacuum cleaners in South Africa, statistics on India's trade with Bahrain and India's exports to USA were provided to exporters.

Exim Bank's Commencement Day Annual Lecture

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 2005 was delivered by Mr. Rubens Ricupero, Former Secretary General, United Nations Conference on Trade and Development (UNCTAD), on the topic "Trade and Development: Challenges for Developing Countries."

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. The Bank disseminated information on numerous overseas business opportunities to Indian companies.

Bank, in association with the Confederation of Indian Industry, has instituted an annual award for Business Excellence for best total quality management by an Indian corporate. Seven companies were commended for significant achievement in their journey towards Business Excellence in 2004 at the CII Quality Summit held in Bangalore.

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. Bank was commissioned by the Government of Mauritius to undertake a study on 'Projecting Mauritius as an Investment Hub for Indian Firms'. This was against the backdrop of a joint study group set up by the Governments of India and Mauritius to consider entering into a Comprehensive Economic Co-operation and Partnership Agreement. Bank's report has been well received, and the recommendations have been incorporated into the report of the joint study group. Reserve Bank of Zimbabwe (RBZ) is commissioning the Bank to create a support structure in Zimbabwe for international trade and investment through the setting up of an Export-Import Bank. In the past, the Bank has provided consultancy services to RBZ to help set up an Export Credit Guarantee Company (ECGC) in Zimbabwe.

Export Marketing Service for Indian Companies

The Bank provided assistance to several Indian companies, enabling them to establish their products overseas and enter new markets. Guidance ranging from the identification of prospective business partners to facilitating placement of final orders was provided to companies. The markets where such services were provided include:

Hungary : Bank secured an order from a reputed Hungarian company for natural stone products on behalf of a medium sized Indian firm. The business is expected to grow significantly on a long-term basis. Negotiations are also at an advanced stage with another well known Hungarian company for the same product range.

South Africa : Bank consolidated on its work with a reputed apparel manufacturer based in South Africa. The manufacturer has continued to place repeat orders for cotton fabrics with the Indian company using it as a regular sourcing base. As part of its expansion programme, the South African company has now sought the Bank's assistance in importing premium quality ready-made shirts from India. Bank continued to work with a leading South African seafood restaurant chain for its requirements which are being met by supplies from an Indian medium size seafood exporter.

Negotiations, through Bank's facilitation, are also at an advanced stage with two South African companies for meeting their requirements for electrical appliances and biscuits respectively, from two reputed Indian manufacturers.

Brazil: Laying thrust on opportunities available to Indian companies in the Latin American region, the Bank assisted an automobile (two-wheeler) manufacturer in undertaking a legal opinion study to assist the company in launching their products in the Brazilian market directly.

Institutional Linkages

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

The Bank entered into Memoranda of Co-operation (MOC) with Investment Guarantee Agency (IGA) of Bosnia, and Economic Development Board (EDB) of Kingdom of Bahrain. The MOCs seek to leverage complementary strengths, and promote outward investment by Indian firms.

The Bank also signed MOCs with Export-Import Bank of the Slovak Republic (EXIMBANKA SR), and BNP Paribas, an international bank dedicated to export finance. The MOCs seek to promote co-operation and business relationship in several areas. These include providing co-financing support for goods and services to be exported from India as part of a project in a third country and/or arranging finance.

A Memorandum of Understanding (MOU) was signed by the Bank along with African Export-Import Bank, Andean Development Corporation and Exim Bank of Malaysia to support creation of a network of Exim Banks and Development Finance Institutions, under the aegis of UNCTAD. The broad objectives of the network include promotion of co-operation, sharing of country and regional experiences, facilitating the flow of information, accessing technical assistance as also capacity building and training.

Another MOU was signed between the Bank and International Trade Centre (ITC), Geneva, to implement the Enterprise Management Development Services (EMDS) programme of ITC for supporting (SMEs) in their globalisation efforts.

As part of the co-operation arrangement with ITC, an Exim official has been placed as 'Expert in Residence' at ITC's headquarters in Geneva to acquire special marketing skills to assist SMEs. Both the initiatives are being launched by ITC for the first time in any country.

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 developmental 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 with the 2005 'Trade Development Award' during the 28th ADFIAP Annual Meeting held in Nadi, Fiji. The Award is in recognition of the Bank's Export Marketing Services programme that proactively creates the enabling environment for Indian firms to explore newer geographies leveraging upon the Bank's extensive institutional and trade linkages, its reach, access and credibility to serve as the marketing arm of select Indian companies effectively utilising the Bank's overseas offices. The Bank had been conferred with this award in the years 2002 and 2004 also.

The ADFIAP Awards Board, this year, has also bestowed upon the Chairman and Managing Director of Exim Bank a special 'Plaque of Merit' in recognition of his leadership role in moulding the Bank into a dynamic and innovative organization with quality services, contributing to India's trade with the world.

Forum of ECAs

The 10th Annual Meeting of the Asian Export Credit Agencies (ECAs) was held in Beijing, China, in May 2004. The forum highlighted the need for co-operation through

The Bank fosters close co-operation with other Export Credit Agencies (ECAs) in the Asia Pacific Region. The 10th Annual Meeting of the Asian ECAs hosted by Export-Import Bank of China was held in Beijing in May 2004. The forum discussed the need for establishment of a regional export credit agency for Asia and enhanced co-operation for cofinancing large valued cross-border contracting projects. The meeting was attended by the Chief Executives of Exim Banks of China, Japan, India, Korea, Philippines, Thailand, Malaysia, Indonesia and Australia and a senior official of Asian Development Bank. This initiative was launched by Exim India in 1996 to foster closer co-operation between Asian ECAs and enhance intra-regional trade and investment.

greater awareness. The forum discussed the need for the establishment of a regional export credit agency for Asia to facilitate credit enhancement and increase liquidity to weaker economies in the region. It was suggested that Asian ECAs should co-operate for co-financing large-size cross border contracting projects, exploring possibilities of joint research, establishing a mechanism for regular exchange of information, increasing mutual visits and sharing of experiences in the field of risk hedging, personnel management, business upgrading and administration improvement. The annual meeting was attended by representatives from India, Australia, China, Indonesia, Japan, Republic of Korea, Malaysia, Philippines and Thailand. In addition, representatives from Asian Development Bank and International Monetary Fund were also present.

The 11th Annual Meeting of Asian ECAs, being hosted by Exim Bank of India, is scheduled to be held in Goa during October 2005. As a run-up to this Annual Meeting, the Bank organised a Technical Working Group Meeting in New Delhi in January 2005. The issues discussed in the meeting would form the basis of deliberations for the forthcoming Annual Meeting.

The initiative for holding Annual Meetings of ECAs to exchange information and share ideas in a structured manner was originally taken by Exim Bank of India, which hosted the first two meetings in India at Bangalore in February 1996 and at Mumbai in June 1996. Since then, it has become an annual event, hosted by an ECA by rotation. The previous Annual Meetings, following the first two, were held in Tokyo (1997), Beijing (1998), Bali (1999), Bangkok (2000), Seoul (2001), Kuala Lumpur (2002) and Manila (2003).

Visit of a Ministerial Delegation from Democratic Republic of Congo led by Minister of Foreign Affairs and International Cooperation, H.E. Mr. Raymond Ramazani Baya, to Exim Bank, to seek Indian technology and capital to promote industrial development in Congo.

Export-Import Bank of India and Export-Import Bank of Korea signed a bilateral L/C Confirmation Facility Agreement for US$ 10 mn in New Delhi in August 2004 to provide a fillip to intra-regional trade in Asia, particularly through supporting Indo-Korean trade.

VI. PROMOTIONAL PROGRAMMES

Consultancy Support Program

The Bank has an arrangement for sponsoring and part-financing Indian consultants for providing consultancy services to private sector SMEs in developing countries under the Technical Assistance Programme of International Finance Corporation (IFC), Washington D.C. and other international agencies. The facilities in operation include Africa, CIS, China and South Asia.

As on March 31, 2005, the Bank has supported 79 consultancy assignments by Indian consultants in 30 countries covering a number of specialised fields such as agro processing, stone washing, leather goods, financial accounting, auto parts, gems and jewellery, pharmaceuticals, software, and energy. During the year, services of Indian consultants were utilised in sectors such as agriculture, horticulture and food processing.

Eximius Centres for Learning

During the year, the Bank's Eximius Centres for Learning at Bangalore, Pune and Ahmedabad, conducted nineteen programmes. These included two country specific business opportunities seminars, covering Bahrain and Australia. The Centres conducted programmes on Business Opportunities in African Development Bank Funded Projects in New Delhi, Mumbai and Bangalore. A seminar on Development of Domestic Consulting Services was conducted in New Delhi and Mumbai, in association with Asian Development Bank and Consultancy Development Centre, New Delhi. A workshop on Market Entry and Market Access Strategies for Indian Firms in Europe was organised at Bangalore and another workshop on Market Access and Technical Requirements in European Countries was organised at Mumbai with Centre for Promotion of Imports from Developing Countries (CBI), The Netherlands.

In addition, the Centres conducted ten seminars/workshops, viz: International Marketing: Changing Perspectives; Achieving Sustainable Success in Global Markets – Challenge India; Six Sigma for IT Industry; IT Marketing Strategies and Emerging Opportunities (in Hyderabad and Bangalore); Food Safety Standards & Quality – Role of Food Control Systems; Certification and Marking Requirements for Export of Electronics, Electrical & Engineering Products to Developed Country Markets; Programme on Financing Export Oriented Agriculture; Software Process Improvements – An Enabler of Business Excellence; and Orientation Programme on Law Relating to Export and Management.

Production facilities at Amtec Precision Products Inc, Chicago, USA, engaged in manufacture of auto components, has been acquired by UCAL Fuel Systems Ltd., Chennai. Exim Bank has extended both loan and equity support to UCAL to acquire the unit in USA.

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 Ltd (2002) have received the award. In 2004, a number of corporates participated in the award process. Although there were no winners, seven companies were commended by the jury for significant achievement in their journey towards Business Excellence. The corporates were Alexandria Carbon Black Co. S.A.E., Egypt; Birla Cellulosic, Bharuch; Bharat Heavy Electricals Ltd. (BHEL), Bhopal; BHEL, Hardwar; BHEL, Tiruchirapalli;

Tata Motors Ltd. (Commercial Vehicles Business Unit), Mumbai and Titan Industries Ltd. (Watch Division), Hosur. The jury also commended twenty-two corporates for their strong commitment to TQM.

VII. INFORMATION TECHNOLOGY

The Bank continued its initiatives in reengineering various processes and implementing IT solutions to support such changes. Facilities were supported and upgraded in various areas including knowledge management, communication across various constituents for better sharing of information, user empowerment and system intelligence capabilities. The client infrastructure relating to systems of RBI, CCIL, Credit Information Bureau (India) Ltd. and Society for Worldwide Interbank Financial Telecommunication was also upgraded.

Systems were supported and upgraded in various areas including those of Planning and Budgeting; Country Analysis; Industry Analysis; Risk Measurement and Analysis; Bank-wide system; Specialised packages for Trade Finance, Treasury 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.com) is regularly enhanced and enriched to cater to the myriad 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 lending programmes and information and advisory services for Indian exporters as also for others interested in international trade. The portal is being increasingly used by internal and external constituents.

Exim Bank's publication, 'Biotechnology: Emerging Opportunities for India', was formally released by Hon'ble Chief Minister of Karnataka, Shri Dharam Singh, in the presence of Hon'ble Union Minister for Health & Family Welfare, Dr. A. Ramadoss and Hon'ble Chief Minister of Rajasthan, Smt. Vasundhara Raje, during the BIO 2005 International Conference at Bangalore. Smt. Kiran Mazumdar Shaw, pioneering entrepreneur in Biotechnology in India is also seen in the picture.

VIII. RESEARCH AND ANALYSIS

The International Economic Development Research Annual (IEDRA) Award was instituted by the Bank in 1989. The objective is to promote doctoral research in international economics, trade and development, and related financing, by Indian nationals at universities in India and abroad. Award consists of a sum of one hundred thousand rupees and a citation. The winner for the year 2004 is Dr. Prachi Mishra, Economist, International Monetary Fund, for her thesis titled "Essays on Globalisation and Wages in Developing Countries".

Six Occasional Papers were published by the Bank during the year: Productivity Growth and Trade in Indian Industry; Intra-Industry Trade in India's Manufacturing Sector; Export Potential of Indian Plantation Sector: Prospects and Challenges; Fresh Fruits, Vegetables and Dairy Products: India's Potential for Exports to Other Asian

Countries; Biotechnology: Emerging Opportunities for India; and ASEAN Countries: A Study of India's Trade and Investment Potential.

During the year, the Bank also published four working papers: Southern African Customs Union (SACU): A Study of India's Trade and Investment Potential; Textile Exports: Post MFA Scenario – Opportunities and Challenges; Indian Ceramic Industry: Perspective and Export Potential; and Central Asian Republics, Afghanistan and Pakistan: A Study of India's Trade and Investment Potential.

The Bank also brought out a book titled 'Business with Latin America' during the year.

IX. HUMAN RESOURCES MANAGEMENT

As on March 31, 2005, the Bank had a total staff of 193 in its service including 139 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 2004-05, 103 officers attended training programmes and seminars on a variety of subjects relevant to the Bank's operations. Programmes included industrial and project finance, international trade finance, forex and financial derivatives, risk management, documentary credits, agri and food business management, export marketing, NPA management and recovery strategies, information systems audit and IT risk management, upgradation of computer literacy, country risk analysis, intellectual property rights, negotiation skills, managing human skills in organisations, finance for non-finance officers, communication and leadership skills.

X. PROGRESS IN IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

The Bank's efforts for accelerating 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 Bank's Offices located in the area for commendable performance in implementing Hindi among all Financial Institutions for the year 2003-2004. (ii) Bank Nagar Rajbhasha Karyanvayan Samiti, Mumbai, constituted under the auspices of Dept. of Official Language, Ministry of Home Affairs, Government of India has awarded the First Prize to Exim Bank's for commendable performance in implementing Hindi among all FIs for the year 2003-2004. (iii) Bank's Kolkata office received Certificate of Merit from Bank Nagar Rajbhasha Karyanvayan Samiti, Kolkata for best performance in implementing Hindi during the year 2003-04. (iv) Bank's New Delhi office received Merit Certificate from Bank Nagar Rajbhasha Karyanvayan Samiti, New Delhi for outstanding performance achieved in implementing Hindi during the year 2003-04. (v) Rajbhasha Avam Prabhandhan Vikas Sanstha, New Delhi has awarded special trophy to Bank's in-charge Hindi Officer for the outstanding work done in the area of implementation of Hindi in the Bank.

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 were also published in Hindi.

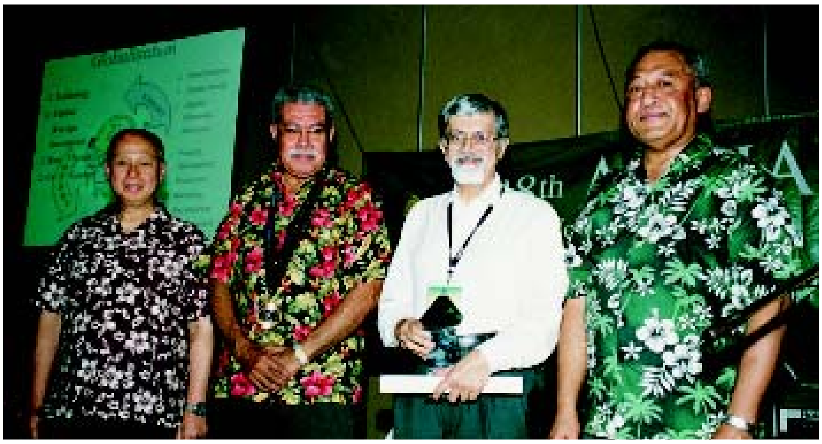
In order to impart training in Hindi noting and drafting to officers of the Bank, 24 Hindi workshops were organised during the year. A scheme offering incentives aimed at encouraging officers to use Hindi in their day-to-day work is in place in the Bank.

In pursuance of Government's directives, a Hindi fortnight commencing from September 1, 2004 was celebrated. On this occasion, a special Hindi 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 the 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.

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

The Bank, with a total staff strength of 193 in its service, as on March 31, 2005, has 25 Scheduled Caste, 18 Scheduled Tribe and 20 Other Backward Class staff members. The Bank provided training in computers and other areas to these staff members. Bank continues to grant scholarships for scheduled caste and scheduled tribe and other backward class students at the Indian Institute of Foreign Trade, New Delhi and Bharathidasan Institute of Management, Tiruchirapalli.



Exim Bank was conferred the ADFIAP Trade Development Award by the Hon'ble Prime Minister of Fiji, Mr Laisenia Qarase, in the presence of the Hon'ble Minister for Finance and National Planning, Fiji, Mr. Jone Y. Kubuabola and Ambassador Jesus P Tambunting, Chairman, ADFIAP Board of Directors during the 28th ADFIAP Annual Meeting held in Nadi, Fiji.


ADFIAP DEVELOPMENT AWARDS

Export-Import Bank of India

Balance Sheet as at March 31, 2005 and Profit & Loss Account for 2004-05

Exim Bank pays Rs. 654.4 mn as dividend to the Government of India. Shri P. Chidambaram, Hon'ble Union Finance Minister receives the cheque from Shri T. C. Venkat Subramanian, Chairman and Managing Director, Exim Bank.

Balance Sheet

as at 31st March, 2005

Liabilities

		Schedules	This Year (As at 31.03.2005) Rs.	Previous Year (As at 31.03.2004) Rs.
1.	Capital	I	8,499,918,881	6,499,918,881
2.	Reserves	II	16,624,988,097	14,933,014,180
3.	Profit & Loss Account	III	654,400,000	470,000,000
4.	Notes, Bonds & Debentures		98,972,004,153	76,700,580,430
5.	Bills Payable		—	—
6.	Deposits	IV	22,023,080,295	20,922,102,710
7.	Borrowings	V	21,063,644,411	21,582,667,243
8.	Current Liabilities & Provisions		13,884,120,980	13,397,276,241
9.	Other Liabilities		2,551,230,502	685,973,868
10.	Reserve for possible loan losses		—	—
	Total		184,273,387,319	155,191,533,553

Contingent Liabilities

		This Year	Previous Year
(i)	Acceptances, Guarantees, endorsements & other obligations	23,726,918,700	15,768,884,000
(ii)	On outstanding forward exchange contracts, interest rate swaps	24,012,294,600	10,556,152,000
(iii)	On underwriting commitments	—	—
(iv)	Uncalled Liability on partly paid investments	45,508,500	13,115,250
(v)	Claims on the Bank not acknowledged as debts	3,318,800,000	3,318,800,000
(vi)	Bills for collection	—	—
(vii)	On participation certificates	—	—
(viii)	Bills Discounted/Rediscounted	—	—
(ix)	Other monies for which the Bank is contingently liable	953,401,700	628,113,000
	Total	52,056,923,500	30,285,064,250

General Fund

Assets

		Schedules	This Year (As at 31.03.2005) Rs.	Previous Year (As at 31.03.2004) Rs.
1.	Cash & Bank Balances	VI	27,427,937,999	25,765,892,040
2.	Investments	VII	13,564,858,290	14,573,307,311
3.	Loans & Advances	VIII	131,603,949,052	106,377,895,564
4.	Bills Purchased, Discounted, Rediscounted	IX	2,500,000,000	1,373,200,000
5.	Fixed Assets	X	587,874,596	630,063,739
6.	Other Assets	XI	8,588,767,382	6,471,174,899
7.	Profit & Loss Account		—	—
	Total		184,273,387,319	155,191,533,553

S. Sridhar
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

R.M.V. Raman
Executive Director

S. N. Menon
Amitabh Verma
Dr. S. Chandra

A. K. Jha
Dr. Vinayshil Gautam

Dr. Ashok Lahiri
Dr. Pulin B. Nayak
Dr. Budhajirao R. Mulik

Directors

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

Vijay N. Bhatt
Partner (F-36647)

Mumbai
Dated : April 23, 2005

Profit & Loss Account

for the year ended 31st March, 2005

Expenditure

		This Year	Previous Year
		Rs.	Rs.
1.	Interest	7,384,423,624	6,207,029,718
2.	Credit Insurance (Including Guarantee Fee)	36,623,683	40,860,747
3.	Staff Salaries, Allowances etc. and Terminal Benefits	94,643,601	68,370,966
4.	Directors' and Committee Members' Fees and Expenses	218,500	788,256
5.	Audit Fees	455,000	455,000
6.	Rent, Taxes, Electricity and Insurance Premia	48,643,757	45,698,324
7.	Postage, Telegrams and Telex	19,699,586	14,905,754
8.	Legal Expenses	37,845,253	24,533,942
9.	Other Expenses	223,089,706	190,065,297
10.	Depreciation	60,147,468	87,361,078
11.	Transferred to Reserve for possible loan losses	—	—
12.	Profit carried down	3,143,518,968	3,042,328,037
	Total	11,049,309,146	9,722,397,119
	Provision for Income Tax [net of Deferred tax credit of Rs.225,572,604 (previous year - Rs.Nil)]	564,427,396	750,000,000
	Balance of profit transferred to Balance Sheet	2,579,091,572	2,292,328,037
		3,143,518,968	3,042,328,037

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 March 31, 2005, and also the Profit and Loss Account of General 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.
3. 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 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 March 31, 2005.

For RSM & Co.
Chartered Accountants

Place : Mumbai
Dated : April 23, 2005

Vijay N. Bhatt
Partner (F-36647)

General Fund

Income

	This Year	Previous Year
	Rs.	Rs.
(Less provision made during the year for bad and doubtful debts and other usual and necessary provisions)		
1. Interest and Discount	10,264,606,770	8,642,148,342
2. Exchange, Commission, Brokerage and Fees	547,979,724	462,904,068
3. Other Income	236,722,652	617,344,709
4. Loss carried to Balance Sheet	—	—
Total	11,049,309,146	9,722,397,119
Profit brought down	3,143,518,968	3,042,328,037
Excess Income/Interest tax provision of earlier years written back	—	—
	3,143,518,968	3,042,328,037

Note : 1. Income includes Rs. 3.79 bn on account of investment income, interest on bank deposits, etc (Previous year Rs. 3.26 bn).

S. Sridhar
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

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Executive Director

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A. K. Jha
Dr. Vinayshil Gautam

Dr. Ashok Lahiri
Dr. Pulin B. Nayak
Dr. Budhajirao R. Mulik

Directors

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

Vijay N. Bhatt
Partner (F-36647)

Mumbai
Dated : April 23, 2005

Schedules to the Balance Sheet

as at 31st March, 2005

		This Year (As at 31.03.2005)	Previous Year (As at 31.03.2004)
		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)	8,499,918,881	6,499,918,881
Schedule II :	**Reserves :**		
	1. Reserve Fund	12,280,493,288	11,091,323,616
	2. General Reserve	—	—
	3. Other Reserves :		
	Investment Fluctuation Reserve	564,175,745	561,371,500
	Sinking Fund (Lines of Credit)	720,319,064	620,319,064
	4. Special Reserve u/s 36(1)(viii) of Income Tax Act,1961	3,060,000,000	2,660,000,000
		16,624,988,097	14,933,014,180
Schedule III :	**Profit & Loss Account :**		
	1. Balance as per annexed accounts	2,579,091,572	2,292,328,037
	2. Less: Appropriations:		
	— Transferred to Reserve Fund	1,189,169,672	902,109,287
	— Transferred to Investment Fluctuation Reserve	150,000,000	310,000,000
	— Transferred to Sinking Fund	100,000,000	150,000,000
	— Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961	400,000,000	400,000,000
	— Provision for tax on distributed profit by way of dividend	85,521,900	60,218,750
	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the EXIM Bank Act,1981)	654,400,000	470,000,000
Schedule IV :	**Deposits :**		
	(a) In India	22,023,080,295	20,922,102,710
	(b) Outside India	—	—
		22,023,080,295	20,922,102,710
Schedule V :	**Borrowings :**		
	1. From Reserve Bank of India :		
	(a) Against Trustee Securities	—	—
	(b) Against Bills of Exchange	—	—
	2. From Government of India	80,000,003	93,333,336
	3. From Other Sources :		
	(a) In India	7,687,450,000	2,874,350,000
	(b) Outside India	13,296,194,408	18,614,983,907
		21,063,644,411	21,582,667,243
Schedule VI :	**Cash & Bank Balances :**		
	1. Cash in Hand	71,239	91,536
	2. Balance with Reserve Bank of India	7,030,117	221,816
	3. Balances with other Banks:		
	(a) In India	21,840,233,387	23,805,277,660
	(b) Outside India	5,480,603,256	1,860,301,028
	4. Money at call and short notice	100,000,000	100,000,000
		27,427,937,999	25,765,892,040

Note : Balances with other Banks include Term Deposits with Banks.

General Fund

		This Year (As at 31.03.2005)	Previous Year (As at 31.03.2004)
		Rs.	Rs.
Schedule VII :	**Investments :**		
	1. Securities of Central and State Governments	3,143,667,828	3,219,530,328
	2. Equity Shares & Stocks	1,112,196,462	1,042,969,983
	3. Preference Shares and Stocks	418,137,000	130,257,000
	4. Notes,Debentures and Bonds	4,715,232,000	3,518,050,000
	5. Others	4,175,625,000	6,662,500,000
		13,564,858,290	14,573,307,311
Schedule VIII :	**Loans & Advances :**		
	1. Foreign Governments	2,576,856,848	180,331,539
	2. Banks:		
	(a) In India	22,643,831,318	19,576,946,720
	(b) Outside India	1,498,530,663	1,403,947,063
	3. Financial Institutions:		
	(a) In India	—	—
	(b) Outside India	1,050,544,253	1,242,233,946
	4. Others	103,834,185,970	83,974,436,296
		131,603,949,052	106,377,895,564
Schedule IX :	**Bills Purchased, Discounted, Rediscounted :**		
	(a) In India	2,500,000,000	1,373,200,000
	(b) Outside India	—	—
		2,500,000,000	1,373,200,000
Schedule X :	**Fixed Assets :**		
	(At cost less depreciation)		
	1. Premises	552,124,782	576,624,273
	2. Others	35,749,814	53,439,466
		587,874,596	630,063,739
Schedule XI :	**Other Assets :**		
	1. Accrued interest on investments and on loans	2,359,715,359	1,403,885,507
	2. Prepaid insurance premium - paid to Export Credit Guarantee Corpn. of India Ltd.	673,339	3,714,666
	3. Deposits with sundry parties	21,346,779	21,554,010
	4. Others [including Deferred tax asset of Rs. 225,572,604 (previous year - Rs. Nil)]	6,207,031,905	5,042,020,716
		8,588,767,382	6,471,174,899

Balance Sheet

as at 31st March, 2005

Liabilities

		This Year (As at 31.03.2005)	Previous Year (As at 31.03.2004)
		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	47,006,318	40,756,318
5.	Profit and Loss Account	170,999,818	160,173,785
	Total	346,313,923	329,237,890

Contingent Liabilities

		This Year	Previous Year
(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 : Section 37 of Exim Bank 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 31.03.2005)	Previous Year (As at 31.03.2004)
		Rs.	Rs.
1.	Bank Balances	297,128,866	287,091,332
2.	Investments	—	—
3.	Loans & Advances :		
	(a) In India	—	—
	(b) Outside India	8,505,318	8,505,318
4.	Bills Purchased/Discounted :		
	(a) In India	—	—
	(b) Outside India	—	—
5.	Other Assets	40,679,739	33,641,240
6.	Profit and Loss Account	—	—
	Total	346,313,923	329,237,890

S. Sridhar
Executive Director

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Chairman & Managing Director

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Dr. Budhajirao R. Mulik

Directors

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

Vijay N. Bhatt
Partner (F-36647)

Mumbai
Dated :

Profit & Loss Account

for the year ended 31st March, 2005

Expenditure

	This Year	Previous Year
	Rs.	**Rs.**
1. Interest	—	—
2. Other Expenses	—	—
3. Profit carried down	17,076,033	20,948,905
Total	17,076,033	20,948,905
Provision for Income Tax	6,250,000	6,265,000
Balance of profit transferred to Balance Sheet	10,826,033	14,683,905
Total	17,076,033	20,948,905

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 March 31, 2005, and also the Profit and Loss Account of Export Development Fund of the Bank for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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 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 Export Development Fund of the Bank as at March 31, 2005.

For RSM & Co.
Chartered Accountants

Place : Mumbai
Dated : April 23, 2005

Vijay N. Bhatt
Partner (F-36647)

Export Development Fund

Income

	This Year	Previous Year
	Rs.	Rs.
(Less provision made during the year for bad and doubtful debts and other usual and necessary provisions)		
1. Interest and Discount	17,076,033	20,948,905
2. Exchange, Commission, Brokerage and Fees	—	—
3. Other Income	—	—
4. Loss carried to Balance Sheet	—	—
Total	17,076,033	20,948,905
Profit brought down	17,076,033	20,948,905
Excess Income/Interest tax provision of earlier years written back	—	—
Total	17,076,033	20,948,905

S. Sridhar
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

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Dr. Pulin B. Nayak
Dr. Budhajirao R. Mulik

Directors

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

Vijay N. Bhatt
Partner (F-36647)

Mumbai
Dated : April 23, 2005

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. 30.00 bn (previous year Rs.30.05 bn) held on agency account including a sum of Rs. 27.11 bn (previous year 27.15 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 part payments against the demand raised by Income-tax Authorities for A.Ys. 2000-01, 2001-02 & 2002-03 and the matter is being pursued for refund of tax paid. The interest-tax demand for A.Ys. 1999-00 and 2000-01 are also in appeal. Provision for taxation has been made as considered necessary based on counsel's opinion.

3. (a) Contingent Liabilities

   Guarantees include expired guarantees of Rs. 6.62 bn (previous year Rs. 5.17 bn), yet to be cancelled in books.

   (b) Claims not acknowledged as debts

   The amount of Rs. 3.32 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, 2005 have been fully hedged. Interest Rate Swaps (IRS) and Forward Rate Agreements have been used as hedging instruments. The notional principal of these instruments is recorded as an off Balance Sheet item. Interest income and expense on IRS and FRA are accounted for on accrual basis.

ADDITIONAL INFORMATION AS REQUIRED BY RESERVE BANK OF INDIA

4. Capital

   (a)

	As on March 31, 2005	As on March 31, 2004
(i) Capital to Risk Assets Ratio (CRAR)	21.58%	23.48%
(ii) Core CRAR	20.41%	22.19%
(iii) Supplementary CRAR	1.17%	1.29%

   (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, 2005 as Tier-II capital: Rs. NIL (previous year: Rs. NIL)

(d) Risk weighted assets –

(Rs. bn)

(e)

	As on March 31, 2005	As on March 31, 2004
(i) 'On' balance sheet items	119.76	99.19
(ii) 'Off' balance sheet items	17.41	11.99

(f) 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, 2005

(a) Per centage of net Non-performing Assets (NPAs) to net loans and advances: 0.85 (previous year 1.26)

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

(Rs. bn)

	As on March 31, 2005		As on March 31, 2004	
	Amount	Per centage	Amount	Per centage
Sub-standard Assets	0.47	0.37	0.76	0.74
Doubtful Assets	0.62	0.48	0.53	0.52
Loss Assets	—	—	—	—
Total	1.09	0.85	1.29	1.26

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

(Rs. bn)

	2004-05	2003-04
Standard Assets	0.07	0.38
NPAs	0.83	0.43
Investments (other than those in the nature of an advance)	0.24	0.04
Income Tax	0.56	0.75

(d) Movement in net NPAs:

(Rs. bn)

	2004-05	2003-04
Net NPAs at the beginning of the year	1.29	1.84
New NPAs during the year	0.47	0.20
Recoveries/upgradations during the year	0.67	0.75
Net NPAs at the end of the year	1.09	1.29

(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)

	2004-05	2003-04
Opening balance as at the beginning of the year	6.00	6.00
Add : Provisions made during the year	0.83	0.43
Less: Write off/ write back of excess provision	1.83	0.43
Closing balance at the end of the year	5.00	6.00

(f) Assets sold to Securitisation Company (SC) / Reconstruction Company (RC):

(i) No. of Accounts - 4

(ii) Aggregate value (net of provisions) of accounts sold to SC/RC - Rs. 0.91 bn

(iii) Aggregate consideration - Rs. 1.05 bn

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

(v) Aggregate gain / loss over net book value – Rs. 0.14 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	2004-05	2003-04
Opening balance as at the beginning of the year	0.14	0.10
Additions during the year	0.14	0.04
Reductions during the year	0.04	—
Closing balance at the end of the year	0.24	0.14
Total provisions held	0.13	0.10

(h) Provisions for depreciation in investments

(Rs. bn)

Particulars	2004-05	2003-04
Opening balance as at the beginning of the year	0.18	0.14
Add :		
(i) Provisions made during the year	0.12	0.04
(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	0.43	0.18

(i) Restructured Standard Assets as on March 31,2005: Rs.0.53 bn (previous year Rs.1.41 bn).

(j) Restructured Sub-standard Assets as on March 31, 2005: Rs.0.12 bn (previous year Rs.0.16 bn).

(k) Restructured Doubtful Assets as on March 31, 2005: Rs.0.04 bn (previous year Rs. 0.09 bn).

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

(Rs. bn)

	2004-05	2003-04
(a) Total amount of loan assets subjected to restructuring under CDR (a=b+c+d)	1.44	2.81
(b) The amount of standard assets subjected to CDR	1.39	2.43
(c) The amount of sub-standard assets subjected to CDR	—	—
(d) The amount of doubtful assets subjected to CDR	0.05	0.38

(m) Credit Exposure:

	Per centage to Capital Funds *	Per centage to Total Credit Exposure (TCE)@	Per centage 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 Outstanding.

Previous Year:

	Per centage to Capital Funds *	Per centage to Total Credit Exposure (TCE)@	Per centage to Total Assets
i) Largest single borrower	13.69	1.93	2.13
ii) Largest borrower group	25.36	3.57	3.95
iii) 10 largest single borrowers	101.80	14.33	15.85
iv) 10 largest borrower groups	130.12	18.32	20.25

* Capital Funds as on March 31, 2003

@ TCE: Loans + Advances + Unutilised Sanctions + Guarantees + credit exposure on account of derivatives.

1) Credit exposure to banks and overseas institutions guaranteed by GOI assumed at the behest of GOI, not considered for single/group borrowers exposure.
2) There were 2 borrowers as on March 31, 2005 for whom exposure over 15% of capital funds was assumed with the approval of the Board/ Management Committee. Exposure to these 2 borrowers as on March 31, 2005 stood at 17.64% and 15.68% of the capital funds of the Bank.

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

Sector	Per centage to Total Credit Exposure (TCE)	Per centage to Loan Assets
i) Textile & Garments	10.66	12.69
ii) Engineering Goods	9.31	11.08
iii) Construction	9.21	10.96
iv) Metals & Metal Processing	7.26	8.64
v) Electronics (including Telecom)	7.11	8.47

Previous Year:

Sector	Per centage to Total Credit Exposure (TCE)	Per centage to Loan Assets
i) Textile & Garments	11.57	13.14
ii) Construction	8.58	9.75
iii) Drugs and Pharmaceuticals	7.99	9.08
iv) Engineering Goods	7.93	9.01
v) Metals & Metal Processing	7.50	8.51

- The "credit exposure" has been reckoned as defined in RBI circular DoS. FID. No. 17/01.02.00/96-97 dated June 28, 1997 and thereafter.

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
(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 are by way of USD/INR Swaps 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.

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
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	3.54	3.49	—	3.54	*3.54
2	FIs	0.49	—	—	0.49	0.24
3	Banks	0.01	—	—	0.01	0.01
4	Private corporates	0.49	0.06	—	0.49	—
5	Subsidiaries/Joint ventures	0.16	—	—	0.16	0.16
6	Others	6.66	—	—	6.66	0.21
7	# Provision held towards depreciation	0.17	—	—	—	—
	Total	11.35	3.55	—	11.35	*4.16

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

* Out of which Rs. 3.49 bn were by way of USD/INR Swap undertaken with RBI approval.

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

6. Liquidity

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

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

(Rs. bn)

Items	Less than or equal to 1 year 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

Previous Year: (Rs. bn)

Items	Less than or equal to 1 year 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	41.99	32.65	38.12	16.68	23.34	152.78
Foreign currency assets	29.24	13.82	13.10	5.66	4.45	66.27
Total assets	71.23	46.47	51.22	22.34	27.79	219.05
Rupee liabilities	39.66	22.11	25.57	11.60	52.88	151.82
Foreign currency liabilities	21.21	2.76	20.07	8.00	13.40	65.44
Total liabilities	60.87	24.87	45.64	19.60	66.28	217.26

- 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.

(c) Repo Transactions:

(Rs. bn)

	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 July 7, 1999 and thereafter

1	No. of transactions outstanding	61
2	Total outstanding notional principal	Rs. 22.30 bn
3	Nature of swaps	Transactions were undertaken for hedging purpose/ liability management in the nature of "Fixed/Floating" or "Floating/ Fixed" based on market benchmarks such as GOI-Sec yields/LIBOR/MIBOR.
4	Terms	The transactions are for periods between 2 and 15 years
5	Loss which would be incurred in case counter-parties fail to fulfill their obligations	Rs. 0.03 bn
6	Collateral required	Rs. NIL
7	Fair value of swap book	Rs. 0.43 bn (Negative).
8	Credit Exposure (as per Current Exposure method)	Rs. 0.16 bn
9	Concentration of credit risk arising from swaps	All transactions fall within exposure limits.

Previous Year:

1	No. of transactions outstanding	24
2	Total outstanding notional principal	Rs. 8.53 bn
3	Nature of swaps	All transactions for hedging purpose/liability management in the nature of "Fixed/Floating" or "Floating/Fixed" based on market benchmarks such as GOI-Sec yields/LIBOR.
4	Terms	The transactions are for periods between 3 and 15 years
5	Loss which would be incurred in case counter-parties fail to fulfill their obligations	Rs. 0.04 bn
6	Collateral required	Rs. NIL
7	Fair value of swap book	Rs. 0.27 bn
8	Concentration of credit risk arising from swaps	All transactions fall within exposure limits.

8. Operating results

(a) Interest income as a per centage to average working funds: 6.12 (previous year 6.41).

(b) Non-interest income as a per centage to average working funds: 0.46 (previous year 0.78).

(c) Operating profit as a per centage to average working funds: 1.95 (previous year 2.39).

(d) Return on average assets: 1.51% (previous year 1.65%).

(e) Net Profit per (permanent) employee: Rs.13.4 mn (previous year Rs.12.1 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. Cash Flow Statements

The annual accounts are prepared in the format prescribed in The Export-Import Bank of India General Regulation, 1982, approved by the Board with the previous approval of GOI u/s 39(2) of The Export-Import Bank of India Act, 1981 (No. 28 of 1981) (the Act). As the cash flow statement is not included in the format the same as envisaged under Accounting Standard (AS)–3 issued by the Institute of Chartered Accountants of India (ICAI) has not been disclosed.

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 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 predominately comprise 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 Private 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 2004-05	Joint Ventures 2003-04
Loans granted	804.97	—
Investments	185.98	160.10
Interest received	12.98	1.52
Payments towards services received	0.17	1.03

Amount outstanding at year-end: Rs. 176.82 mn (previous year Rs. NIL).

Maximum outstanding amount during the year: Rs. 458.90 mn (previous year Rs. 145.40 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

The Bank has commenced accounting for deferred tax under AS-22, issued by the ICAI, from the current year. The Act prescribes the adjustments to Reserves under Section 23 of the Act. Since the adjustment for deferred tax assets/liabilities, as envisaged in the transitional provisions of the accounting standard is not in line with the creation of reserves as prescribed in the Act, the Bank has recognised the deferred tax adjustment as at the year end in the Profit & Loss A/c.

Had the transitional provisions of AS-22 been followed, an amount of Rs. 461.29 mn would have been credited to Reserves as at April 1, 2004 with creation of deferred tax assets of an equivalent amount and the deferred tax expense for the year would have been Rs. 235.72 mn This however, would not have had any impact on the state of affairs of the General Fund of the Bank as at March 31, 2005.

Break-up of Deferred Tax Asset:

	(Rs. mn) Year ended March 31, 2005
Deferred Tax Asset:	
1) Provisions disallowed (net)	213.14
2) Depreciation on fixed assets	28.50
3) Others	3.80
	245.44
Less: Deferred Tax Liability	
Amortisation of Bond issue expenses	19.87
	19.87
Net Deferred Tax Asset	225.57

14. Financial Reporting of Interest in Joint Ventures

I.

	Jointly Controlled Entities	Country	Per centage of holding	
			Current Year	Previous Year
A	Global Procurement Consultants Limited	India	26%	26%
B	Global Trade Finance Private Limited	India	40%	35%

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

(Rs. mn)

Liabilities	2004-05 *	2003-04	Assets	2004-05 *	2003-04
Capital & Reserves	219.07	169.51	Fixed Assets	45.19	38.55
Loans	1606.60	1230.82	Investments	52.45	532.95
Other Liabilities	557.70	335.84	Other Assets	2285.73	1164.68
Total	2383.37	1736.18	Total	2283.37	1736.18

* The figures are provisional.

(Rs. mn)

Expenses	2004-05 *	2003-04	Income	2004-05 *	2003-04
Interest and Financing Expenses	70.24	32.51	Income from factoring activity	127.76	52.21
Other Expenses	54.75	43.15	Consultancy Income	3.94	3.90
Provisions	15.20	3.91	Interest income & Income from investment	33.98	28.96
			Other Income	0.60	0.79
Total	140.19	79.57	Total	166.28	85.86

* 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.

S. Sridhar
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

R.M.V. Raman
Executive Director

S. N. Menon
Amitabh Verma
Dr. S. Chandra

A. K. Jha
Dr. Vinayshil Gautam

Dr. Ashok Lahiri
Dr. Pulin B. Nayak
Dr. Budhajirao R. Mulik

Directors

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

Vijay N. Bhatt
Partner (F-36647)

Mumbai
Dated : April 23, 2005

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 March 23, 2001 and thereafter.

(ii) Revenue Recognition

(a) Income/Expenditure is recognised on accrual basis except in respect of penal interest, commitment charges, and interest on loans and advances identified as "Stressed Assets", which are accounted on cash basis. Discount / redemption premium offered on Exim Bank Bonds has been amortised over the tenure of the bond and included in interest expenses.

(b) Interest and Discount is stated at Gross Interest less interest on Non-Performing Assets (NPAs). NPAs are determined as per RBI guidelines issued to All-India Term Lending Institutions.

(iii) Asset Classification and Provisioning

Loans and Advances shown in Balance Sheet comprise only principal outstandings net of 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. Provisions for funded facilities are made 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 Terms Lending Institutions vide its circular dated November 9, 2000 and thereafter.

(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

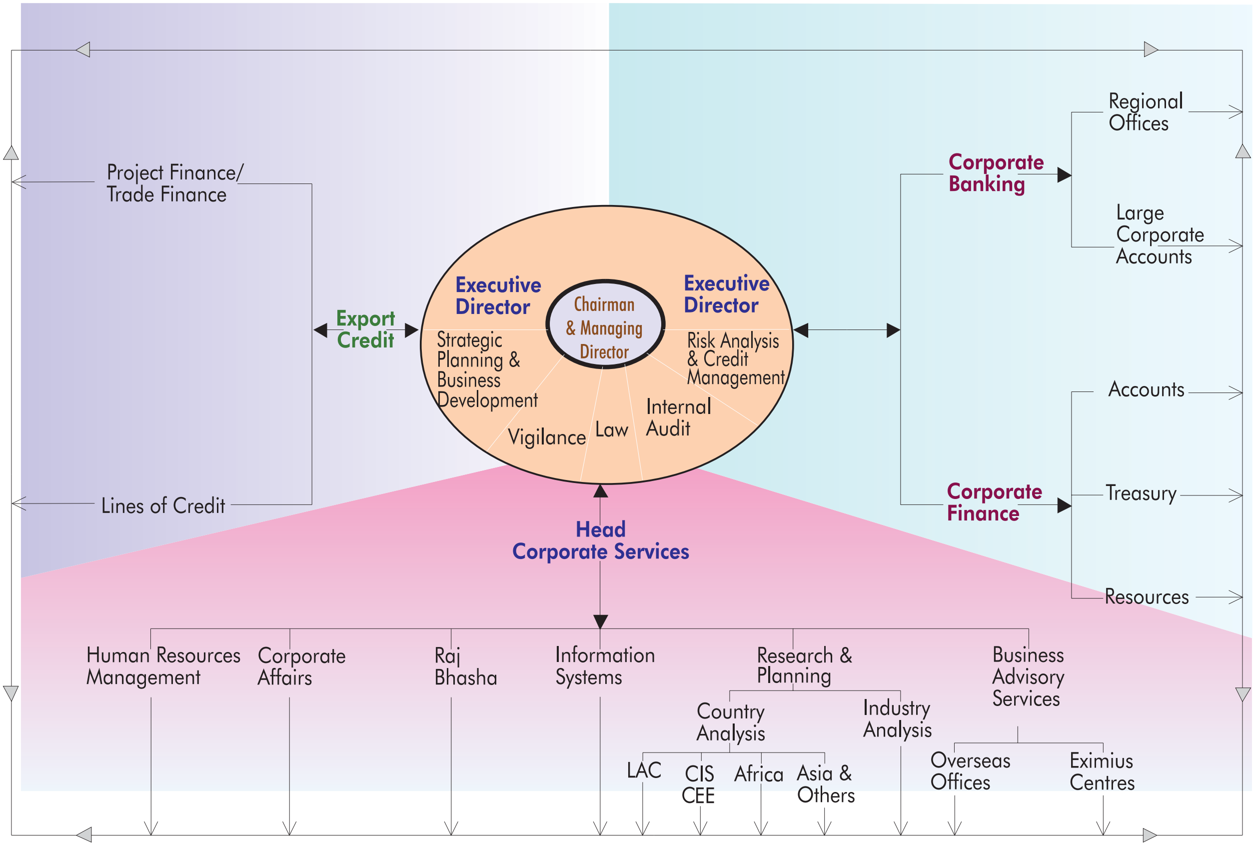
The Bank has set up a separate Provident Fund, Gratuity Fund and Pension Fund, which are recognised by Commissioner of Income-Tax. Liabilities towards Gratuity and Pension are estimated on actuarial basis and the respective amounts due, if any, are transferred to Gratuity Fund and Pension Fund every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

(ix) Accounting for taxes on Income

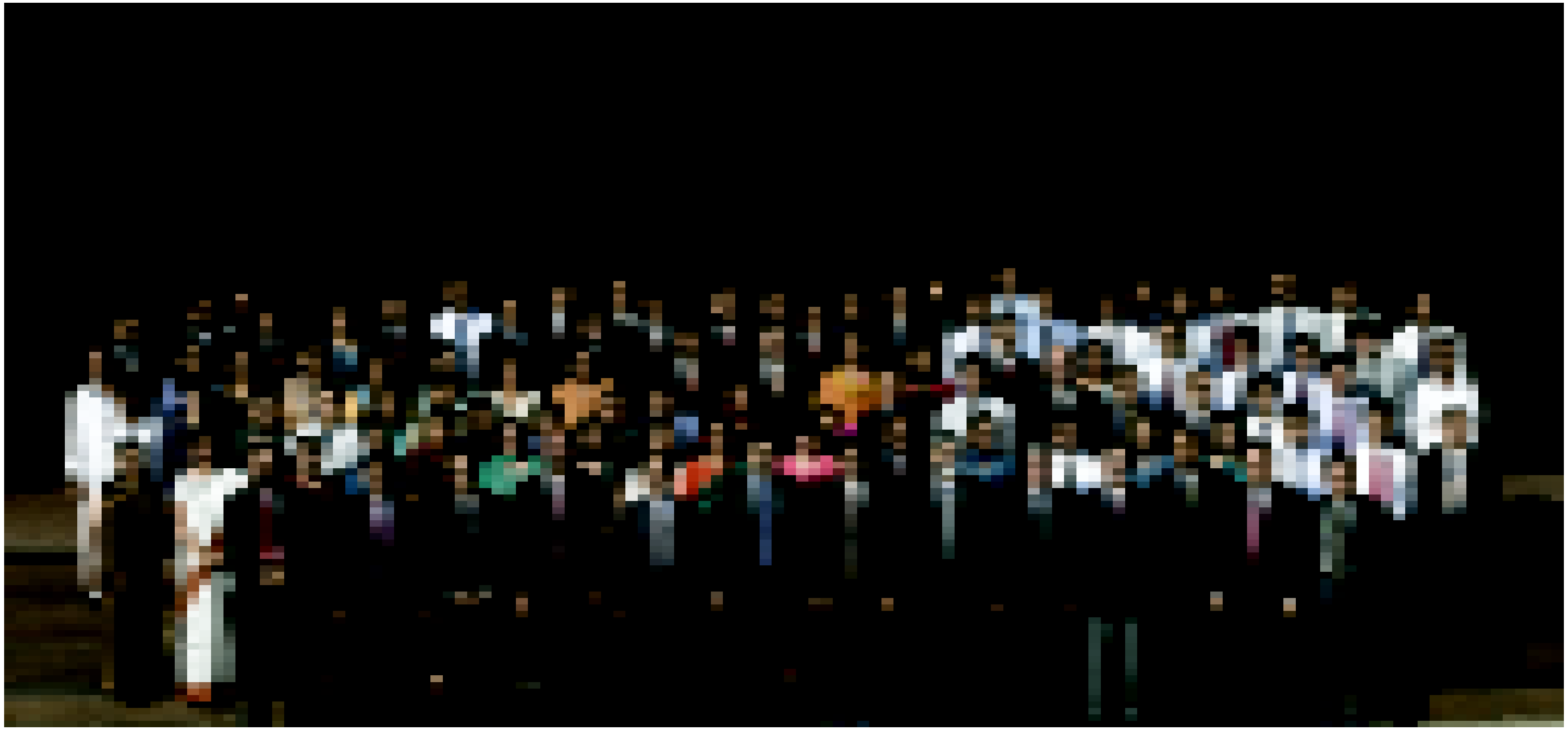
(a) Provision for current tax is made, based on the tax payable under the relevant statute.

(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.

Organisation



Exim Bank's Key Resource: Its Human Capital



Management Team

Chairman &
Managing Director

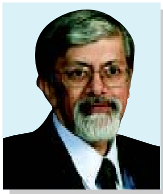
T. C. Venkat Subramanian

Executive
Directors

S. Sridhar

R. M. V. Raman

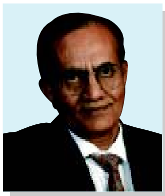
Group
Heads



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
Mothi Sayeeram

Chennai
K. Muthukumaran

Guwahati
Saumar Sonowal

Hyderabad
Vijay Krishna Reddy

Kolkata
Hitendera Rawal

Mumbai
Deepali Agrawal

New Delhi
Sunil Trikha

Pune
R. W. Khanna

Overseas Offices

Budapest
Nirmit Ved

Johannesburg
Sanjeev Kumar Pawar

Milan
J. Samuel Joseph

Singapore
Bhanu Abhilashi

Washington D. C.
Tarun Sharma

Global trade and investment flows, in recent years, have witnessed the increasing emergence of developing countries (South) as important drivers of growth. An important manifestation of this emerging trend has been the rise in the South's share in global trade from around 20 per cent in the mid-1980s to around 37 per cent at present. Further, the rebound in global trade in 2002, after a sharp decline in 2001, and the subsequent upturn thereafter, has, to a large extent, been due to the sustained robust trade growth of the developing countries, well above the global average.

The South is increasingly emerging as an important producer and consumer in global markets. In 2003, the US imported more goods from developing countries than from developed countries, while more than 40 per cent of its exports were to developing countries.

Enhancing South-South Trade and Economic Cooperation

Further, the South is now destination for more than half of Japan's exports, the source for almost two-thirds of its imports, and also accounts for a significant share of the EU's trade. Simultaneously, South-South trade has also witnessed dramatic rise, with over 40 per cent of developing countries' exports currently being directed to other developing countries. Composition of developing countries' trade has also witnessed the increasing share of manufactured goods as compared to that of primary commodities.

Similar patterns are also emerging in international investment flows. In 2003, FDI outward stock and FDI outflows from developing countries accounted for 10.5 per cent of total world FDI outward stock and around 5.8 per cent of world FDI outflows, respectively.

Strategic trade-related policy measures in many developing countries, globalisation of production systems, mobility of factors of production and business, changes in demand patterns and market access conditions, cost competitiveness and technological changes, among others, have contributed to the South emerging as a dynamic centre of global and regional growth. Developing countries, today, are better placed to leverage on these changes and the resulting shifts in the international division of labour, which is reflected in the increasing outsourcing of manufacturing, and more recently of services, to developing countries.

To build upon these developments, the responsibility of enhancing South-South trade and economic cooperation lies with developing countries themselves. Governments in developing countries need to keep channels of consultation and cooperation open, and direct joint initiatives and activities towards key areas which would consolidate and expand the transformation taking place in South-South trade, investment and economic cooperation.

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