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भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

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Regional Trade Agreements and Role in Global Trade

The global trading system has seen a sharp increase in regional trade agreements (RTAs) in recent years, with as many as 285 RTAs having been notified to the GATT/WTO as of October 2003. While the most common category is the free trade agreement (FTA) which accounts for 70 per cent of all RTAs, the configuration of RTAs is diverse and is becoming more complex with overlapping RTAs and networks of RTAs spanning across continents. The effects of RTAs on the whole fabric of multilateral trading system laid down by WTO are manifold. On one side, gains could arise from economies of scale, competition, attraction of FDI and the opportunity to liberalise. On the other hand, however, these agreements may dampen the enthusiasm of moving forward with liberalisation at the multilateral level, leading to trade diversion and complicated tariff structures.

India is a member of South Asian Association for Regional Cooperation (SAARC) and is closely associated with the South Asian Free Trade Area (SAFTA) framework treaty. India has signed FTAs with Sri Lanka and Thailand, and is also negotiating a Comprehensive Economic Co-operation Agreement (CECA) with Singapore. With ASEAN, India has signed a framework agreement on Comprehensive Economic Co-operation. India and the Mercosur group of countries in Latin America have also signed a preferential trading agreement (PTA). India-Brazil-South Africa (IBSA) have formed a Trilateral Commission. Under the Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMST-EC) initiative, India has entered into an FTA with the other members, and has a preferential trade agreement with Afghanistan, which provides for free movement of specified goods.

These endeavours reflect the government's efforts to enhance bilateral/regional trade and investment relations. In order for such RTAs to facilitate and enhance bilateral trade relations, certain conditions need to be clearly enunciated such as rules of origin and value addition norms.

While these RTAs could serve to open up markets for India's exports, there could be scope for cost reduction through economies of scale, and sourcing materials and components from partner countries as well. Indian companies could also find it easier to set up projects in partner countries to cater to local and regional customers. In today's world, a lot of criss-crossing FDI takes place across countries, with FDI becoming more industry or product specific than country specific. More FDI may be forthcoming if India proves to be a competitive production location in Asia.

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The Past Decade

(Rs in million)

	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	Cumulative (1994-2004)	Annual Average Growth %
Loans												
Sanctions	29030	24657	12421	18406	18380	28318	21743	42407	78283	92657	366302	56
Disbursements	15561	21300	12566	13704	12707	17296	18964	34529	53203	69575	269405	30
Loan Assets[1]	25961	29302	34513	38248	42641	50833	56443	68260	87736	107751		18
Guarantees												
Guarantees Sanctioned	690	2027	1365	4024	2633	4404	2118	5450	9328	10792	42831	53
Guarantees Issued	832	1731	1481	1912	2474	3017	1741	4164	7275	5743	30370	30
Guarantee Portfolio	6836	9081	10215	12094	10553	11147	10740	11273	16133	15769		9
Resources												
Paid-up Capital	4403	5000	5000	5000	5000	5500	5500	6500	6500	6500		
Reserves	3119	3997	5445	7058	8352	9584	10664	12026	13171	14933		
Notes, Bonds & Debentures	6440	8861	9165	8267	12850	20944	22915	33158	64902	76701		
Deposits	1620	1404	660	371	104	2617	2797	3416	9121	20922		
Other Borrowings	14431	13346	20352	21808	21285	20354	20255	16619	16467	21583		
Total Resources	36067	39694	49329	51201	56665	70264	73981	82734	123189	155192		
Performance												
Profit Before Tax (PBT)	788	1100	1516	2017	2400	2273	2047	2212	2686	3042	20081	19
Profit After Tax	788	1100	1516	2017	1650	1651	1541	1712	2066	2292	16333	
Dividend	160	200	310	410	330	350	380	420	450	470	3480	14
Staff (Numbers)[2]	104	116	126	136	147	150	154	163	167	190		
Ratios												
Capital to Risk Assets Ratio (%)	34.3	31.9	31.7	30.5	26.6	24.4	23.8	33.1	26.9	23.5		
PBT to Capital (%)	19.8	23.4	30.3	40.3	48.0	43.3	37.2	36.9	41.3	46.8		
PBT to Net Worth (%)	11.8	13.3	15.6	17.9	18.9	16.0	13.1	12.8	14.1	14.2		
PBT to Assets (%)	2.4	2.9	3.4	4.0	4.4	3.6	2.8	2.8	2.6	2.2		
PBT per Employee (Rs. mn)	7.3	10.0	12.5	15.4	17.0	15.3	13.5	14.0	16.3	17.0		

[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 2003-04 was characterised by a rebound in India's economic activity with buoyant export growth. Enhancement of international competitiveness and broadening and deepening of sectoral and geographical reach have underpinned India's robust export performance.

With strong business fundamentals, Exim Bank has pro-actively sought to enhance the competitive edge of Indian companies in their internationalisation efforts, through a range of initiatives. The Bank, in this regard, offers a comprehensive range of financing programmes and advisory and support services, to meet the requirements of companies seeking to address increasingly discerning global markets.

BUSINESS INITIATIVES

The Bank has aggressively expanded the geographical reach and volumes under the Lines of Credit programme. In order to enhance market penetration as also diversification of export markets, the Bank, during the year, extended 12 Lines of Credit (LOCs) amounting to US$ 168 mn to foreign governments, central banks, commercial banks, financial institutions, as also regional financial institutions. Working in tandem with the Government of India, the Bank now has in place 28 LOCs covering more than 50 countries across continents, with credit commitments aggregating US$ 530 mn available for utilisation. With a number of LOCs at various stages of negotiation, the Bank is well positioned to catalyse and contribute to sustained performance of India's exports.

The renewed focus on project exports has seen 96 Indian exporters, with Exim Bank's support, securing 164 contracts aggregating Rs 75.4 bn covering 48 countries during the year. Indian consultants, suppliers and contractors have demonstrated capability to execute a range of projects often in challenging environments. The evolution and growth of project exports from India over the past three decades has been captured in a book titled "Project Exports: Connecting Continents with Indian Expertise", brought out by the Bank during the year.

Bank made an entry into financing of the entertainment industry which has a huge export potential, and also forayed into financing of the healthcare service sector. The thrust on agricultural exports has been accentuated with the specialised Agri Business Group in the Bank now well set in place. The Bank, in addition to financing agricultural and food processing sectors, has been consciously seeking to create an enabling environment through synergies derived from a variety of institutional linkages, and involvement in a number of seminars including those on herbal products and nutraceuticals. The Bank entered into an MOU with Central Food Technological Research Institute (CFTRI), to leverage complementary strengths, and promote commercial applications of CFTRI research. Bank's book on Indian Systems of Medicine and Occasional Papers on Organic Products and Indian Medicinal Plants and Products are aimed at assessing potential, identifying issues and prospects, and enhancing India's external competitiveness in these sectors.

Occasional Papers brought out during the year include studies on India's Trade and Investment Potential with select Southern African and Asian countries. Working papers have deliberated strategies for quantum jump in exports with a focus on Africa, Latin America and China, as also export potential of Indian Steel and Jute Industries.

Apart from these, a quarterly bi-lingual magazine 'Indo-LAC Business', focusing on bilateral trade between India and Latin America and the Caribbean region, was launched at the Bank's initiative, during the year. With a view to promoting international trade and strengthening economic linkages, Bank participated and showcased its products and services in select trade fairs overseas.

Export related advisory and promotional services offered by the Bank were consolidated and enhanced during the year. The Eximius Centre for Learning organised a number of focussed programmes covering a wide canvas of topics of relevance to externally oriented companies including key sectors, countries, regions as also business opportunities particularly in projects funded by multilateral agencies.

Bank's Commencement Day Annual Lecture for the year 2004, delivered by Dr. Eduardo Aninat, former Deputy Managing Director, International Monetary Fund and former Finance Minister of Chile, focussing on the key issue of "The Challenges of Globalisation in the Trade and Financial Areas: A Perspective from Developing Countries", was a key event of the year.

Strengthening partnerships has assumed greater importance in recent years in an increasingly inter-dependent world. Towards this end, Bank enhanced its linkages with other Export Credit Agencies particularly from the Asian region, through a forum that the Bank had initiated, and 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

This has been another year of growth for the Bank with loan sanctions aggregating Rs. 92.66 bn, an increase of 18 per cent over the previous year while disbursements at Rs. 69.57 bn exhibit an increase of 31 per cent. Loan assets have increased by 23 per cent moving upwards to Rs. 107.75 bn as on March 31, 2004.

Profit after tax amounted to Rs. 2.29 bn as compared to Rs. 2.07 bn during the previous year, registering a growth of 11 per cent.

Bank raised Rs. 20.25 bn by way of private placement of bonds, and US$ 310 mn by way of borrowings/ reciprocal term deposits. During the year, Bank also raised US$ 355 mn for extending short term export credit. Bank's debt instruments continued to enjoy the highest credit rating, viz. 'AAA' from the rating agencies, CRISIL and ICRA. Bank also received credit ratings for its overseas borrowings from international credit rating agencies viz. Moody's (Baa3/Sovereign), Standard & Poor's (BB/Sovereign) and Fitch (BB+/Sovereign).

INSTITUTIONAL INTERACTION

Bank has developed useful relationships, both structured and informal, with agencies involved in promotion of trade and investment. CII, FICCI, ASSOCHAM, NASSCOM, FIEO, EEPC, OCCI, Indo-EU Chambers of Commerce, other Export Promotion Councils, Chambers of Commerce and Economic Research Institutes at various centres have been a valuable source of learning and support in the Bank's work. 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 and Reserve Bank of India and Indian Missions abroad, in its endeavour to support exports. Bank has 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 Rajeeva Ratna Shah and Shri Lakshmi Chand, Secretaries, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, Shri Rajiv Sikri, Special Secretary (ER), Ministry of External Affairs, Government of India, Shri M. Damodaran, Chairman and Managing Director, Industrial Development Bank of India, were appointed as Directors on the Board. Shri Shashank, Secretary (EAA), Ministry of External Affairs, Government of India, Shri V. Govindarajan and Shri Rajeeva Ratna Shah, Secretaries, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, Shri P. P. Vora, Chairman and Managing Director, Industrial Development Bank of India, relinquished their directorships on the Board of Exim Bank consequent upon completion of their term or change in office. Bank gratefully acknowledges their invaluable contributions as Directors.

The staff of the Bank displayed a high level of commitment and dedication to the pursuit of business growth and new initiatives. 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 24, 2004

Economic Environment

GLOBAL ECONOMY

With increasing signs of pickup in economic activity, particularly in the US, Japan and emerging markets, the pace of recovery in global economic activity increased during 2003. According to IMF's World Economic Outlook, April 2004 issue, global GDP growth in 2003 improved to 3.9 per cent from that of 3.0 per cent in 2002. Further, the growth rate is projected to touch 4.6 per cent in 2004 implying a greater consolidation in global economic activity. In the advanced economies, real GDP registered a growth of 2.1 per cent in 2003 as compared to 1.7 per cent growth in the previous year, while developing countries and emerging markets registered a robust growth of 6.1 per cent during 2003, as compared to 4.6 per cent growth during the previous year.

In the US, real GDP registered a growth of 3.1 per cent during 2003, as compared to 2.2 per cent during the previous year, reflecting sharp pickup in economic activity in the second half of the year boosted by tax cuts, strengthening of consumer and business confidence coupled with relaxations in monetary and financial conditions. Though stronger growth in the US economy would positively influence other economies, the expanding current account deficit of the US continues to remain a matter of concern. In Canada, real GDP growth slowed down to 1.7 per cent during 2003, from that of 3.3 per cent during the previous year. Sizeable strengthening of the Canadian dollar, weaker foreign demand and slower pace of inventory accumulation impacted overall economic activity during 2003.

Reflecting a slowdown in economic activity, the Euro area registered a lower growth of 0.4 per cent during 2003, as compared to 0.9 per cent during the previous year. Low investment spending, difficulties in the financial sector and substantial appreciation of the Euro restricted growth in the Euro area. Slack in economic activity has been particularly acute in Germany, France, Netherlands and Portugal. Outside the Euro area, real GDP registered a higher growth of 2.3 per cent during 2003 in the UK, as compared to 1.7 per cent during the previous year, due to expansionary fiscal policy and reforms of labour, product and financial markets.

In Japan, recovery in equity markets, rebound in private investment and improved external environment boosted economic activity, with real GDP registering a growth of 2.7 per cent during 2003, as compared to a decline of 0.3 per cent during the previous year. Corporate and financial restructuring remain the key to a

Delivering the Nineteenth Annual Commencement Day Lecture of Exim Bank, Dr. Eduardo Aninat, former Deputy Managing Director of IMF and former Minister of Finance, Chile, spoke on "Challenges of Globalisation in the Trade and Financial Areas: A Perspective from Developing Countries". Dr. Vijay Kelkar, Advisor to Union Finance Minister, Government of India, presided over the function.

sustained turnaround in Japan's economic prospects.

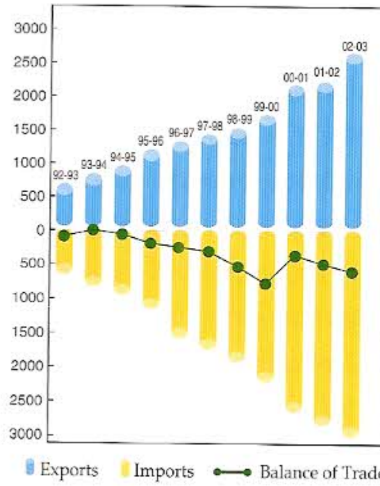
In the Asian region, real GDP growth remained robust at 7.2 per cent during 2003, as compared to 6.2 per cent during the previous year, underpinned by strong economic activity in ASEAN region, South Asia and China. Indonesia, Malaysia, Philippines and Thailand, registered a combined real GDP growth of 5.0 per cent during 2003, partly reflecting supportive macroeconomic policies in Malaysia and Thailand, and private consumption growth in Indonesia. In South Asia, economic activity has been boosted by recovery in the agriculture sector in India, while strengthening of macroeconomic policies have led to economic recovery in Bangladesh. In China, strong investment growth coupled with rapid credit expansion resulted in continued robust GDP growth of 9.1 per cent during 2003, as compared to 8.0 per cent during the previous year. In the newly industrialised Asian economies, viz. Hong Kong, Korea, Singapore and Taiwan combined GDP growth slowed down to 3.0 per cent in 2003, from 5.1 per cent in 2002, primarily due to weak domestic demand.

In Africa, real GDP growth strengthened to 4.1 per cent in 2003, from that of 3.5 per cent in 2002, reflecting resilience of African economies in recent years. Favourable developments in non-fuel commodity prices and debt relief under the HIPC initiative can broadly be identified to be the growth inducing factors. Growth

Eleven-storeyed Ebene Cyber City Tower under construction by Larsen & Toubro Ltd. and Shapoorji Pallonji & Company Ltd., in Mauritius. Exim Bank has provided guarantees and bridge finance to the Indian companies for this project, which is being financed under a Government of India loan of US$ 100 mn to Government of Mauritius.

Trends in India's Foreign Trade

(Rs. in billion)

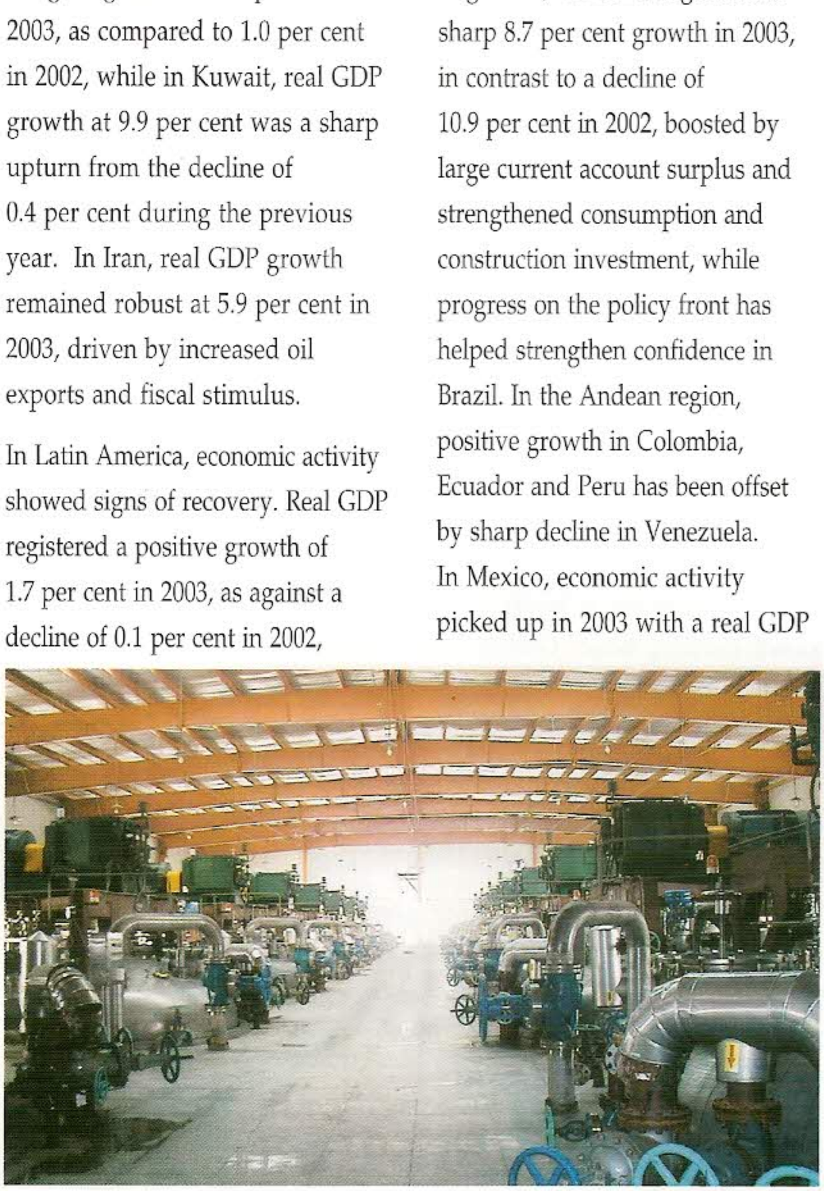


has been strong in the Maghreb countries of Morocco, Algeria and Tunisia, and modest in the Sub-Saharan African region. Within Sub-Saharan Africa, Ghana, Nigeria and Democratic Republic of Congo registered an improved economic growth in 2003, while Tanzania, Uganda and Cameroon witnessed a moderate slowdown in economic activity. In South Africa, economic activity slowed down in 2003 following monetary tightening and depressed external demand for its exports. On the inflation front, improved macroeconomic policies have resulted in relatively low inflation rates in most African economies, with the exception of Angola, Zimbabwe and to a lesser extent in Ghana, Nigeria and Ethiopia.

In the Middle East, real GDP registered a higher growth of 5.4 per cent in 2003, as compared to

4.2 per cent growth in 2002, primarily due to stronger growth in the oil-exporting countries, such as Saudi Arabia and other countries of the Gulf Co-operation Council, and reduction in uncertainties in the aftermath of the Iraq conflict. In Saudi Arabia, real GDP registered a higher growth of 6.4 per cent in 2003, as compared to 1.0 per cent in 2002, while in Kuwait, real GDP growth at 9.9 per cent was a sharp upturn from the decline of 0.4 per cent during the previous year. In Iran, real GDP growth remained robust at 5.9 per cent in 2003, driven by increased oil exports and fiscal stimulus.

In Latin America, economic activity showed signs of recovery. Real GDP registered a positive growth of 1.7 per cent in 2003, as against a decline of 0.1 per cent in 2002, although growth is highly differentiated across the region. The recovery is underpinned by a number of factors including a pickup in exports, aided by stronger global growth, substantial real exchange rate depreciations, and pick up in domestic demand. In Argentina, real GDP registered a sharp 8.7 per cent growth in 2003, in contrast to a decline of 10.9 per cent in 2002, boosted by large current account surplus and strengthened consumption and construction investment, while progress on the policy front has helped strengthen confidence in Brazil. In the Andean region, positive growth in Colombia, Ecuador and Peru has been offset by sharp decline in Venezuela. In Mexico, economic activity picked up in 2003 with a real GDP growth of 1.3 per cent in 2003, in line with the recovery of the US economy and easing of monetary conditions.



An inside factory view of Aurobindo (Datong) Bio-Pharma Co. Ltd. in China, which is a wholly owned subsidiary of Aurobindo Pharma Ltd., Hyderabad. The project has been set up with term loan from Exim Bank under its overseas investment finance programme, for the manufacture of Penicillin-G and related products through fermentation process.

In the CIS countries, real GDP growth strengthened to 7.6 per cent in 2003, from 5.1 per cent growth registered in 2002, boosted by strong consumption and credit growth, and rapid export growth in most countries. In Russia, sharp rise in energy exports, favourable liquidity conditions in domestic financial markets and increased access to international capital markets boosted real GDP growth to 7.3 per cent in 2003, from that of 4.7 per cent during the previous year. Higher oil prices, competitive exchange rates and strong growth in investment also boosted real GDP growth in other CIS countries during 2003.

World Trade

Reflecting the increased pace of global economic growth and boosted by higher commodity prices, global exports amounted to US$ 7482 bn in 2003, registering a sharp rise of 15.5 per cent as compared to a growth of 4.5 per cent during the previous year. World prices of manufactures, oil and non-fuel primary commodities registered sharp rise during 2003. In the case of manufactures, world prices increased sharply by 14.5 per cent during 2003, as compared to 2.4 per cent rise during the previous year, while in the case of oil, world prices rose by 15.8 per cent in 2003 as compared to 2.5 per cent in the previous year. Prices of non-fuel primary commodities also registered a rise of 7.1 per cent during 2003, as compared to a marginal rise of 0.5 per cent during the previous year.

In terms of volume, world trade registered a rise of 5.2 per cent during 2003 as compared to the rise of 3.1 per cent during the previous year. Both advanced as well as developing countries and emerging markets registered a rise in import volumes. In the case of advanced economies, volume of imports rose by 3.9 per cent in 2003 as compared to 2.4 per cent in 2002, while in the case of developing countries and emerging markets import volume increased by 10.6 per cent in 2003, as compared to 6.4 per cent in 2002.

As regards exports, advanced economies registered a 2.6 per cent growth in export volume, as compared to the growth of 1.7 per cent in 2002. Developing countries and emerging markets registered a growth of 10.6 per cent in export volume during 2003, as compared to 6.4 per cent registered during 2002.

Private Capital Flows, Current Account Balances and External Debt

After declining marginally from US$ 130.5 bn in 2001 to US$ 128.3 bn in 2002, net private capital flows to emerging markets registered a steep rise in 2003 to an estimated US$ 194.1 bn in 2003, with a further pickup expected in 2004. Prospects of stronger global growth and low policy interest rates in major countries have created a positive environment for emerging markets finance.

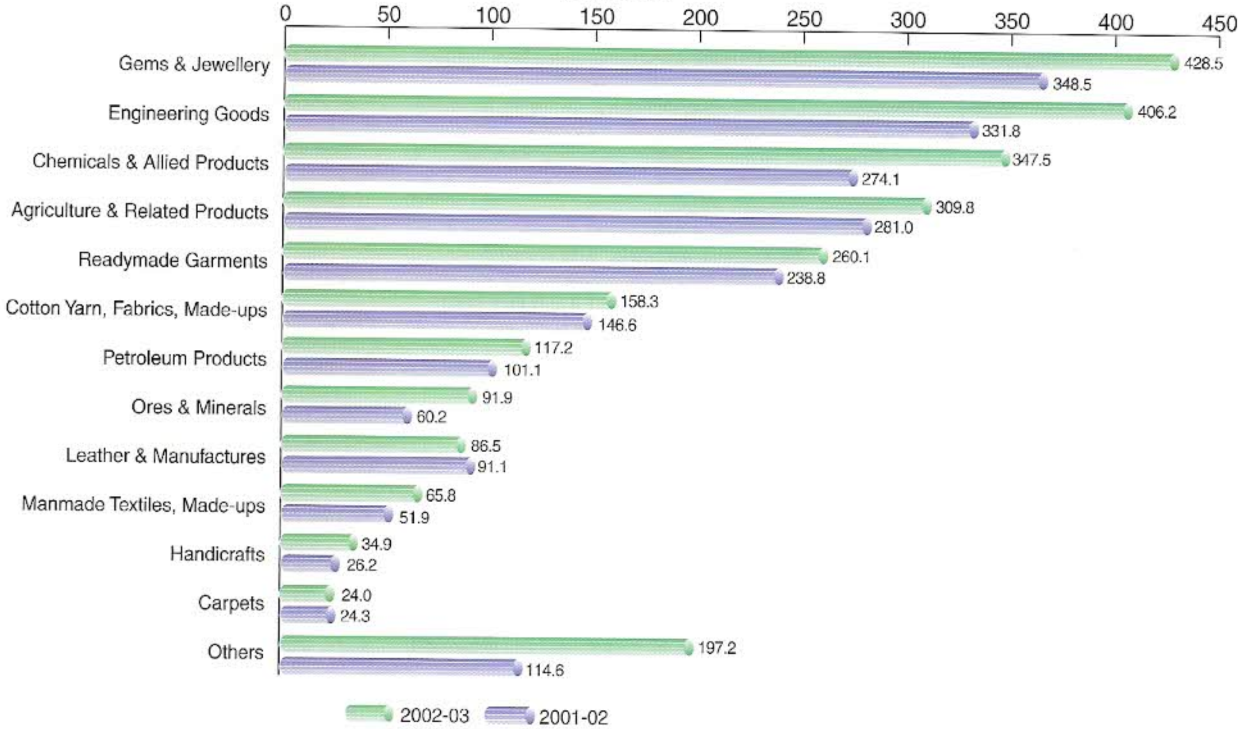
As part of its various initiatives towards promoting Indian exports to the LAC region, Exim Bank organised an interactive Meeting with Ambassadors from LAC countries in Mumbai. The programme focussed on Indo-LAC trade relations, the Bank's initiatives in the region, and identification of areas of co-operation to enhance bilateral trade. The Ambassadors of Chile, Colombia, Cuba, Mexico, Peru, Uruguay, and Venezuela were present at the meeting and shared their perspectives.

Emerging markets in Asia and Pacific accounted for the bulk of the rise in private capital flows during 2003, from US$ 66.3 bn in 2002 to US$ 116.7 bn in 2003. Private capital flows to emerging markets in Europe also rose from US$ 43.1 bn to US$ 49.2 bn during the same period. In the case of emerging markets in Latin America, private capital flows increased from US$ 18.6 bn in 2002 to US$ 24.4 bn in 2003, while capital flows to emerging markets in Africa and Middle East also rose from US$ 0.4 bn to US$ 3.8 bn during the same period.

During 2003, the combined current account surplus of the emerging market economies increased to US$ 104.5 bn, from US$ 77.2 bn during the previous year. This, in turn, can be attributed to the sharp turnaround in the current account balance of countries in Latin America; from a deficit of US$ 10.0 bn in 2002 to a surplus of

Composition of India's Exports

(Rs. in billion)



US$ 9.2 bn in 2003. At the same time, the current account surplus of countries in Asia and Pacific region rose from US$ 70.6 bn in 2002 to US$ 80.4 bn in 2003, while for countries in Africa and Middle East, the current account surplus increased from US$ 6.3 bn in 2002 to US$ 7.0 bn in 2003. For countries in Europe, however, the surplus on the current account contracted from US$ 10.3 bn in 2002 to US$ 7.9 bn in 2003.

External debt, as a proportion of exports of goods and services, for emerging markets and developing countries declined from 124.6 per cent in 2002 to 109.9 per cent in 2003.

For developing countries in the Western hemisphere, external debt, as a proportion of exports of goods and services, was the highest at 194.4 per cent in 2003, followed by Africa (147.1 per cent), Central and Eastern Europe (113.7 per cent), CIS (100.8 per cent), Middle East (95.8 per cent), and Asia (73.8 per cent). Debt service payments for emerging markets and developing countries stood at 18.1 per cent in 2003, down from 19.7 per cent in 2002.

INDIAN ECONOMY

During 2003-04*, India's GDP registered an estimated robust growth of 8.1 per cent, as compared to the growth of 4.0 per cent registered during the previous year. Favourable monsoons coupled with robust manufacturing sector growth and continued buoyancy in the services sector boosted economic activity during 2003-04.

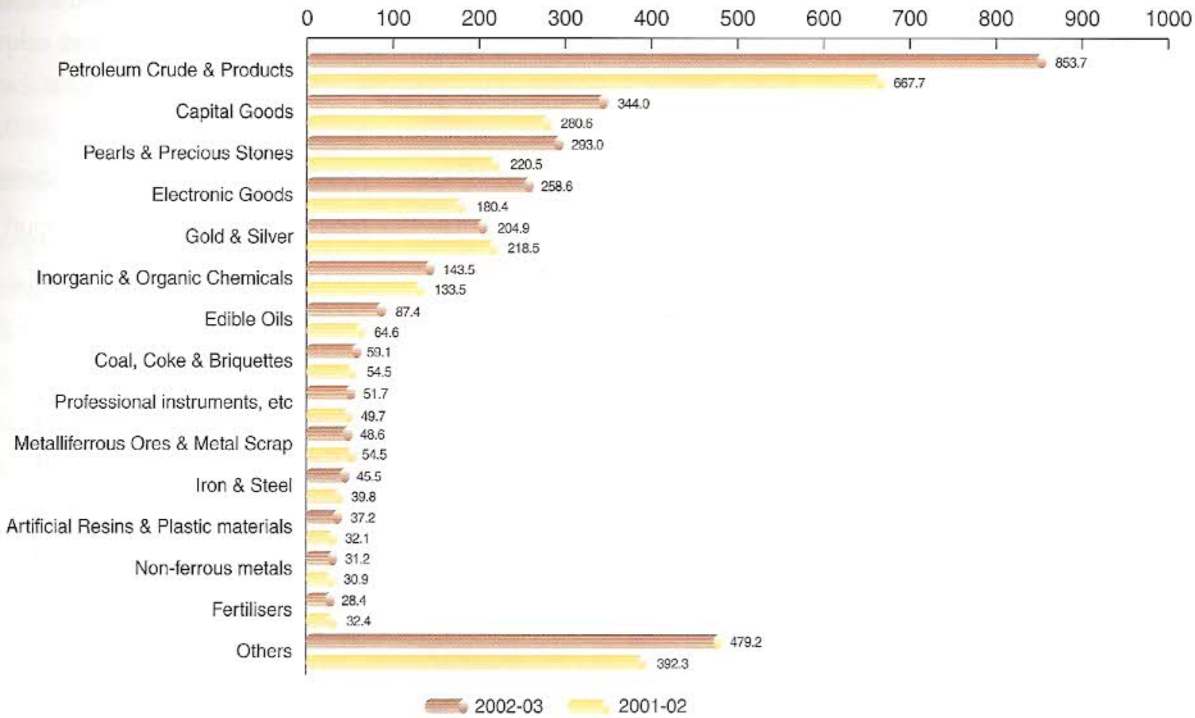
Agriculture

After a decline of 5.2 per cent in 2002-03, the agriculture sector witnessed a sharp pickup during 2003-04 with an estimated growth of 9.1 per cent. Foodgrains production is estimated to be higher at 212.2 mn tonnes during 2003-04 as compared to 174.2 mn tonnes during the previous year.

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

Composition of India's Imports

(Rs. in billion)



Industry

Industrial production registered a higher growth of 6.9 per cent during 2003-04 as compared to 5.7 per cent growth during the previous year. Sharp rise in manufacturing sector growth of 7.2 per cent, as compared to 6.0 per cent growth during the previous year, underpinned the robust performance of the industrial sector. The electricity sector also registered a higher growth of 5.0 per cent during 2003-04, as compared to 3.2 per cent during the previous year. The mining sector, however, registered a lower growth rate of 5.1 per cent during 2003-04, as compared to 5.8 per cent during the previous year. According to the use-based classification, the capital goods sector exhibited buoyancy with a growth rate of 12.7 per cent during 2003-04, as compared to 10.5 per cent during the previous year.

The consumer durables sector also registered a robust rise of 11.6 per cent during the year, followed by intermediate goods sector (6.2 per cent), consumer non-durables sector (5.7 per cent), and the basic goods sector (5.4 per cent).

Of the seventeen sub-sectors in the manufacturing sector, during 2003-04, three sectors registered growth rates exceeding 10 per cent. These were the paper and paper products and allied industries, machinery and equipment other than transport equipment, and transport equipment and parts. Five sectors, viz. food products, cotton textiles, jute and other vegetable fibre textiles, textile products, and leather and fur products, registered negative growth during the year.

Infrastructure

The six infrastructure and core industries, viz. crude petroleum, petroleum refinery products, coal, electricity, cement and finished steel, recorded a growth of 5.4 per cent during 2003-04, as compared to 5.6 per cent registered during the previous year. During 2003-04, petroleum refinery products, finished steel, cement, coal, electricity and crude petroleum registered growth rates of 8.2 per cent, 6.9 per cent, 6.1 per cent, 5.1 per cent, 5.0 per cent and 1.0 per cent, respectively, over the previous year.

Capital Markets

Net investment by Foreign Institutional Investors amounted to US$ 9.95 bn during 2003-04, as compared to US$ 562 mn during 2002-03. Capital raised from the primary market stood at Rs. 200.6 bn from fifty two issues during 2003-04, as compared to Rs. 40.7 bn from twenty six issues during 2002-03.

Inflation

The rate of inflation, on a point-to-point basis, based on Wholesale Price Index, stood at 4.5 per cent at end-March 2004 as compared to 6.5 per cent at end-March 2003. Growth in money supply (M3) stood at 16.4 per cent during 2003-04, as compared to 12.8 per cent during the previous year.

Foreign Trade & Balance of Payments

During 2003-04, merchandise exports registered a rise of 17.3 per cent in US dollar terms. In absolute terms, merchandise exports were US$ 61.8 bn during 2003-04, higher than the level of US$ 52.7 bn during the previous year. This does not include software exports which rose from US$ 9.6 bn in 2002-03 to an estimated US$ 12.5 bn during 2003-04, reflecting a growth rate of 30.2 per cent. The buoyancy in exports can be attributed to the growth in global economic activity and robust performance of domestic manufacturing sector. Export products, which registered high growth during 2003-04 (April-January) included petroleum products, engineering goods, sport goods, chemicals and related products, electronic goods and processed foods.

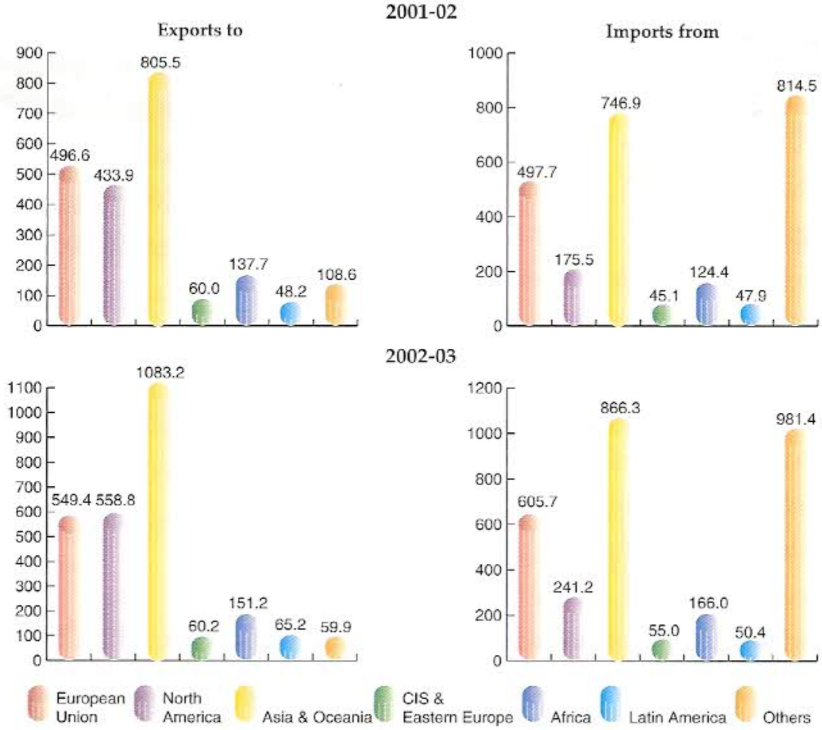
Reciprocal Lines of Credit of US$ 10 mn each were signed between Exim Bank of India and Exim Bank of Hungary for financing eligible trade transactions. Mr. Istavan Farkas, President of Hungarian Exim Bank, signed the Agreement in Mumbai, in the presence of visiting Hungarian Prime Minister, Dr. Péter Medgyessy, and business delegation.

Imports registered a rise of 24.9 per cent during 2003-04 to amount to US$ 75.2 bn, from US$ 60.2 bn during the previous year. Sharp rise in non-oil imports contributed to the rise in overall imports. Reflecting the buoyancy in domestic manufacturing activity, non-oil imports registered a sharp rise of 29.4 per cent during 2003-04 to amount to US$ 55.0 bn. Oil imports stood at US$ 20.2 bn during 2003-04, registering a growth of 14.3 per cent as compared to the growth of 26.1 per cent during the previous year. Import items which registered high growth during 2003-04 (April-January) included fertilisers, iron and steel, machinery and transport equipment, organic and inorganic chemicals, manufactures of metals, and wood and wood products. The trade deficit was higher at US$ 13.4 bn during 2003-04 as compared to US$ 7.5 bn during the previous year.

During 2003-04 (April-December), net inflows of invisibles amounted

Direction of India's Foreign Trade

(Rs. in billion)



to US$ 18.2 bn, as compared to US$ 17.0 bn during 2002-03. The surplus on the current account, which stood at US$ 4.1 bn during 2002-03, amounted to US$ 3.2 bn during 2003-04 (April-December).

Foreign direct investment inflows during 2003-04 amounted to US$ 4.5 bn, as compared to US$ 4.7 bn during the previous year. Total foreign exchange reserves amounted to US$ 113.0 bn as on end-March 2004 representing about 18 months of import cover.

India's total external debt increased from US$ 98.8 bn at end-March 2002 to US$ 104.7 bn at end-March 2003, and further to US$ 112.1 bn at end-December 2003. The proportion of short-term debt to total external debt increased from 2.8 per cent as at end-March 2002 to 4.4 per cent as at end-March 2003, and further to 5.9 per cent as at end-December 2003.

Policy Environment

Overseas investments in Joint Ventures (JV) and Wholly Owned Subsidiaries (WOS) have been recognised as important avenues for promoting global business by Indian entrepreneurs. Continuing with the spirit of liberalisation, it was decided to permit firms in India registered under the Indian Partnership Act (1932), to make direct investments outside India under the Automatic route upto 100 per cent of their net worth or US$ 10 mn or its equivalent, whichever is less, in one financial year. Further, disinvestment norms were simplified by permitting Indian listed companies to disinvest their investments in JV/WOS abroad even where such disinvestments may result in a write-off of the capital invested to the extent of 10 per cent of their previous year's export realisation.

Foreign companies were allowed to establish branch offices in Special Economic Zones (SEZs) to undertake manufacturing and service activities subject to specified conditions.

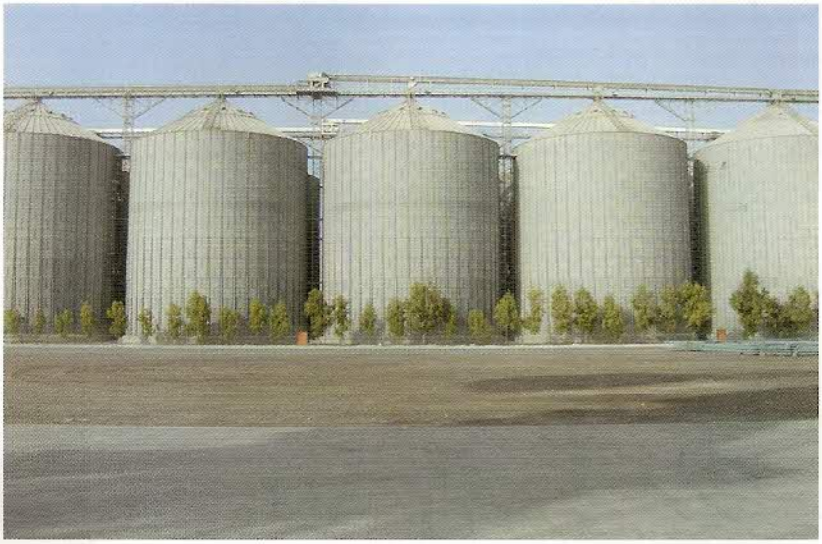
In order to make the credit delivery mechanism more effective, several initiatives proposed in the mid-term review of Monetary and Credit Policy (2003-04) have been implemented. An Advisory Committee has been constituted to suggest short and medium term measures to enhance credit flow to agriculture and allied sector. Similarly, considering the forward and backward linkages of the Small Scale Industries (SSI) sector with large corporates, a Working Group to suggest improvement in credit flows to the SSI sector has also been set up. Further, a Working Group on Development Financial Institutions (DFIs) has been set up to examine various regulatory and supervisory aspects, including access to short-term resources for the DFIs as a separate category.

The Government, on January 28, 2004, announced a series of facilitation measures with a view to providing an impetus to India's international trade, accelerating the incremental growth rate of Indian exports and enabling India to emerge as a manufacturing hub for producing internationally competitive goods and services. Some of these included removal of quantitative restrictions (QRs) on imports of gold, silver; Gold Card scheme for creditworthy exporters; deemed export benefits for zero duty items, and decentralisation of fixation of drawback band rates for deemed exports.

The validity period for the Special Financial Package for large value exports was extended further upto September 30, 2004. Also, with effect from January 1, 2004, exporters have been allowed to write-off outstanding export dues on their own and they may also extend the normal period of realisation beyond 180 days on their own, subject to certain conditions.

The Government also revamped the indirect tax structure. Peak customs duty on non-farm goods was reduced by 5 per cent to 20 per cent, while special additional duty of customs of 4 per cent was abolished. Customs duty on project imports with investment of at least Rs. 50 mn in plant and machinery was reduced from 25 per cent to 10 per cent. Customs duty on power transmission and distribution projects was also reduced from 25 per cent to 10 per cent.

As a step towards further simplification and liberalisation of foreign exchange facilities available to residents, it was decided that resident individuals may freely remit upto US$ 25,000 per calendar year. Furthermore, certain restrictions on remittances by residents including those on health insurance, short-term credit to overseas offices and royalty were also removed.



Indian wheat being imported for the first time in Sharjah, UAE, for processing into flour and confectionery products in the factory of Emirates Grain Products Company LLC. Exim Bank extended line of credit facility of US$ 35 mn cumulatively to the Sharjah company to facilitate import of Indian wheat on a regular basis.

India: Fast Forward

(Major Policy Changes in 2003-04)

Investment Policy

- Permission to Indian listed companies to disinvest in JV/WOS abroad even if disinvestments result in a write-off of the capital invested to the extent of 10 per cent of the previous year's export realisation.
- Permission to firms in India to invest abroad under the Automatic route upto 100 per cent of their net worth or US$ 10 mn, whichever is less, in one financial year.
- Resident corporates and registered partnership firms allowed to undertake agricultural activities overseas either directly or through overseas offices.
- Foreign companies allowed to establish branch offices in SEZs to undertake manufacturing and service activities.

Credit Policy

- Constitution of Advisory Committee to suggest short and medium term measures to enhance credit flow to agriculture and allied sector.
- Working Group set up to suggest improvement in credit flows to the SSI sector.
- Constitution of Working Group on DFIs to examine, inter alia, access to short-term resources for DFIs as a separate category.
- Extension of validity period of Special Financial Package for large value exports upto September 30, 2004.

Trade Policy

- QRs removed on import of gold, silver. Gold Card scheme for creditworthy exporters announced.
- Deemed export benefits extended for zero duty items. Fixation of Drawback band rates for deemed exports decentralised.
- Peak customs duty on non-farm goods reduced by 5 per cent to 20 per cent.
- Special additional duty of customs of 4 per cent abolished.
- Customs duty on project imports (minimum investment of Rs. 50 mn in plant and machinery) reduced from 25 per cent to 10 per cent. Customs duty on power transmission and distribution projects reduced from 25 per cent to 10 per cent.

Foreign Exchange Policy

- Removal of certain restrictions on remittances by residents including those on health insurance, short-term credit to overseas offices, royalty.
- Liberalised remittance scheme of US$ 25,000 per calendar year for resident individuals.
- Exporters allowed to write off outstanding export dues and extension of the normal period of realisation beyond 180 days on their own.

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, 2004.

REVIEW OF OPERATIONS

During 2003-04 (April-March), Bank sanctioned Rs. 92.66 bn under various lending programmes as against Rs. 78.28 bn in the year 2002-03 (April-March), registering a growth of 18.4 per cent. Disbursements during the year were Rs. 69.57 bn as against Rs. 53.20 bn during 2002-03 representing 30.8 per cent growth. Loan assets as at March 31, 2004 were Rs. 107.75 bn, registering an increase of 22.8 per cent over the previous year. During the year, Bank sanctioned guarantees aggregating Rs. 10.79 bn as against Rs. 9.33 bn in 2002-03. Guarantees issued amounted to Rs. 5.74 bn as against Rs. 7.27 bn in 2002-03. Guarantees in the books of the Bank as at March 31, 2004 were Rs. 15.77 bn as against Rs. 16.13 bn as at March 31, 2003. Rupee loans and advances accounted for 53.7 per cent of the total loan assets as at March 31, 2004 while the balance 46.3 per cent were in foreign currency. Short-term loans accounted for 26.3 per cent of the total loans and advances. Bank registered profit before tax of Rs. 3.04 bn on account of General Fund during 2003-04 as against a profit of Rs. 2.69 bn for the year 2002-03. After providing for income tax of Rs. 750 mn, profit after tax amounted to Rs. 2.29 bn during 2003-04 as against Rs. 2.07 bn during 2002-03, registering a growth of 11 per cent. Out of this profit, Rs. 470 mn accounts for dividend to the Government of India (GOI). A provision of Rs. 60.2 mn has been made for tax on distributed profit by way of dividend. An amount of Rs. 902.1 mn is transferred to Reserve Fund. In addition, Bank has transferred Rs. 310 mn to Investment Fluctuation Reserve, Rs. 150 mn to Sinking Fund (Lines of Credit) 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 2003-04 was Rs. 20.9 mn as against Rs. 22.7 mn during 2002-03. After providing for tax of Rs. 6.2 mn, the post tax profit amounted to Rs. 14.7 mn as against Rs. 15.5 mn during 2002-03. The profit of Rs. 14.7 mn is carried forward to next year.

Bank's 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 one hundred and sixty four contracts amounting Rs. 75.43 bn covering forty eight countries, were secured by ninety six Indian exporters with Exim Bank's support, as against one hundred and ten contracts worth Rs. 65.31 bn covering forty five countries, secured by fifty nine 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 eight turnkey contracts valued at Rs. 40.32 bn, eleven construction contracts valued at Rs. 14.58 bn, one hundred and fourteen supply contracts valued at Rs. 19.10 bn and eleven consultancy contracts valued at Rs. 1.43 bn.

* The 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.

Some major turnkey contracts secured during the year included a power generation project in Libya; transmission line projects in Iraq, Libya, Tunisia and UAE; cement plant in Bangladesh; sub-station project in UAE; and water reclamation plant in Singapore. In the post-war reconstruction scenario, recognising the capability of India in the transmission sector, contracts have been awarded to an Indian company by the Coalition Provisional Authority, Iraq.

Construction contracts included rehabilitation of roads in Afghanistan and Sudan; cultural village for Asiad Games 2006 in Qatar; construction of an exhibition centre in Mauritius; and contract for drilling and crushing aggregates in UAE.

Major supply contracts secured during the year included export of bauxite to Azerbaijan, pharmaceuticals to Russia, textiles and readymade garments to USA, material handling and precision equipment to Germany and cement plant to Djibouti.

Some of the major technical consultancy and services contracts include IT based export services and solutions projects in USA; hotline stringing projects in Algeria; and front-end engineering and design project for inter refineries pipeline in UAE.

Export Credits and Guarantees

During the year, Bank sanctioned Rs. 45.58 bn by way of suppliers'credit, buyers' credit, finance for project exports as against Rs. 31.56 bn during the previous year, which exhibits 44 per cent rise in sanctions during the year. Disbursements amounting to Rs. 41.01 bn were made during the year as compared to Rs. 23.28 bn during the previous year, an increase of 76 per cent.

Guarantees sanctioned amounted to Rs. 10.79 bn as against Rs. 9.33 bn sanctioned during the previous year. These guarantees pertain to overseas technical consultancy contracts, power generation and transmission contracts, construction contracts in infrastructure and to export obligation guarantees issued under the Foreign Trade Guarantee Programme.

Lines of Credit

Exim Bank extends Lines of Credit (LOCs) to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries, to import goods and services from India on deferred credit terms. The 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

We are at all stages of the Export Business

provides a safe mode of non-recourse financing option to Indian exporters, especially to small and medium sized 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.

An important development during the year was that Government of India (GOI), in General Budget for 2003-04, announced its decision to route GOI export Lines of Credit through Exim Bank. GOI extends LOCs to developing countries for financing India's exports to those countries.

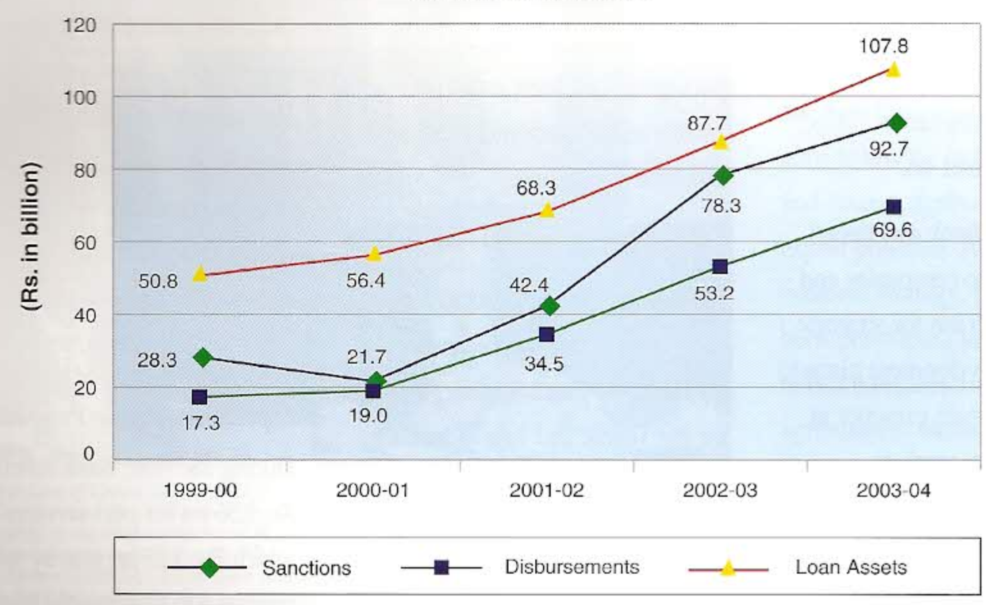
During the year, the Bank extended twelve LOCs aggregating US$ 168 mn to support export of goods and services from India. LOCs extended by Exim Bank during the year comprise LOCs to Central Bank of Djibouti; Government of Ghana; Government of Zambia; Government of Sudan; ABSA Bank Ltd. in South Africa; Exim Bank of Hungary (on reciprocal basis); Banque Ouest Africaine de Developpement (West African Development Bank) covering eight countries viz. Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo; Bank Gospodarstwa Krajowego (National Economy Bank), Poland; Bank TuranAlem, Kazakhstan; six Iranian commercial banks; Government of Angola, and Republic Bank Limited, Trinidad and Tobago. Export of all goods permissible under the Exim Policy of GOI are now covered under Bank's LOCs.

Twenty eight LOCs covering fifty one countries across continents, with credit commitments aggregating US$ 530 mn are currently available for utilisation and a number of LOCs are at various stages of negotiation.

II. *BUILDING EXPORT COMPETITIVENESS*

Bank operates a range of financing programmes aimed at enhancing export competitiveness of Indian companies. During 2003-04, Bank sanctioned loans aggregating

Trends in Business



Rs. 39.46 bn under the programmes for enhancing export competitiveness. Disbursements amounted to Rs. 27.03 bn under these programmes.

Loans to Export Oriented Units

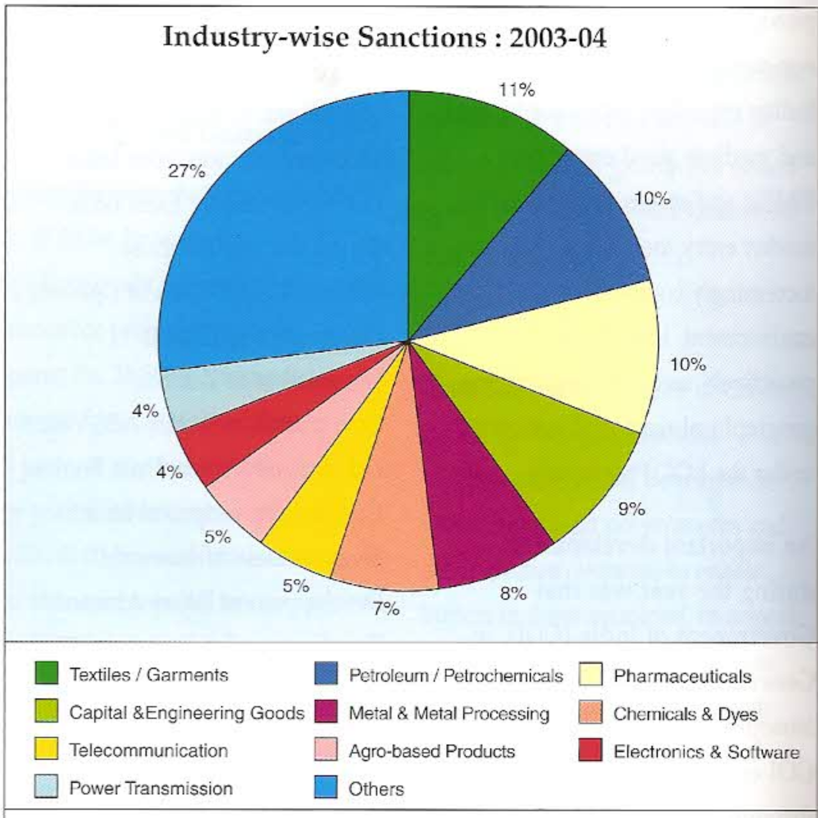
During the year, Bank sanctioned term loans of Rs. 9.03 bn to forty three export oriented units including Rs. 1.75 bn by way of refinance to commercial banks in respect of three units. Disbursements amounted to Rs. 5.18 bn including refinance to commercial banks of Rs. 1.75 bn.

Under Production Equipment Finance Programme, twenty four exporting companies were sanctioned Rs. 5.65 bn for financing acquisition of production equipment. Disbursements amounted to Rs. 2.16 bn.

Thirty seven companies were sanctioned long term working capital loans aggregating Rs. 7.66 bn. Disbursements amounted to Rs. 6.01 bn.

During the year, Bank sanctioned Rs. 18.9 mn to two companies and disbursed Rs. 18.5 mn for strategic export market development plans to penetrate and sustain presence in developed country markets.

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



Note: **"Others"** includes Construction, Auto Components, Vehicles, Financial Services, Consumer Goods, Hospitality, Ports, Paper, Ceramics, Gems & Jewellery, Entertainment, Shipping, and Jute.

Technology Upgradation Fund Scheme

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. 2.02 bn to ten companies. Disbursements aggregated Rs. 982.6 mn.

Overseas Investment Finance

During the year, loans aggregating Rs. 214.5 mn were sanctioned to three companies for financing subsidiaries / joint ventures abroad. Disbursements during the year amounted to Rs. 129.1 mn. The overseas ventures were in chemicals, engineering goods and electrical equipment sectors in Iran, UK and Bangladesh, respectively.

Export Facilitation Programme

During the year, Bank sanctioned Rs. 3.56 bn for port services of which Rs. 3.25 bn was by way of refinance to commercial banks.

Disbursements amounted to Rs. 3.74 bn.

FINANCE FOR IMPORTS

Bulk Import Finance

Under Bulk Import Finance Programme, sanctions and disbursements amounted to Rs. 1.27 bn and Rs. 1.02 bn respectively.

Import Finance Programme

Under Import Finance Programme, eight companies were sanctioned term loans of Rs. 9.04 bn. Disbursements amounted to Rs. 5.81 bn.

III. *NEW INITIATIVES*

Financing of Services Sector

The Bank made an entry into financing of the entertainment industry, which has huge export potential. The first loan of Rs. 12 mn was extended to a firm to produce the Spanish dubbed version of the Hindi blockbuster 'Kaho Na Pyaar Hai' ('Reencuentro Con El Destino'), slated for release shortly in around twenty Spanish speaking Latin American countries. This will be the first non-Hollywood movie to be released on a commercial scale in the Latin American market.

The Bank's foray into financing of the healthcare services sector was by way of a loan extended for financing import of state-of-the-art medical equipment for a super speciality hospital project.

Signing of a Line of Credit (LOC) of US$ 10 mn with Mr. Issa Coulibaly, Vice President, West African Development Bank (Banque Ouest Africaine de Developpement - BOAD) to support India's exports to member countries of BOAD in the French speaking West Africa. BOAD is a regional development bank for eight West African countries under the aegis of West African Monetary Union (UMOA). Exim Bank will also be taking equity stake of US$ 1 mn equivalent in BOAD, thus becoming the first non-regional, non-European institution to be admitted as a shareholder of BOAD.

Quarterly Publication on Indo-LAC Business

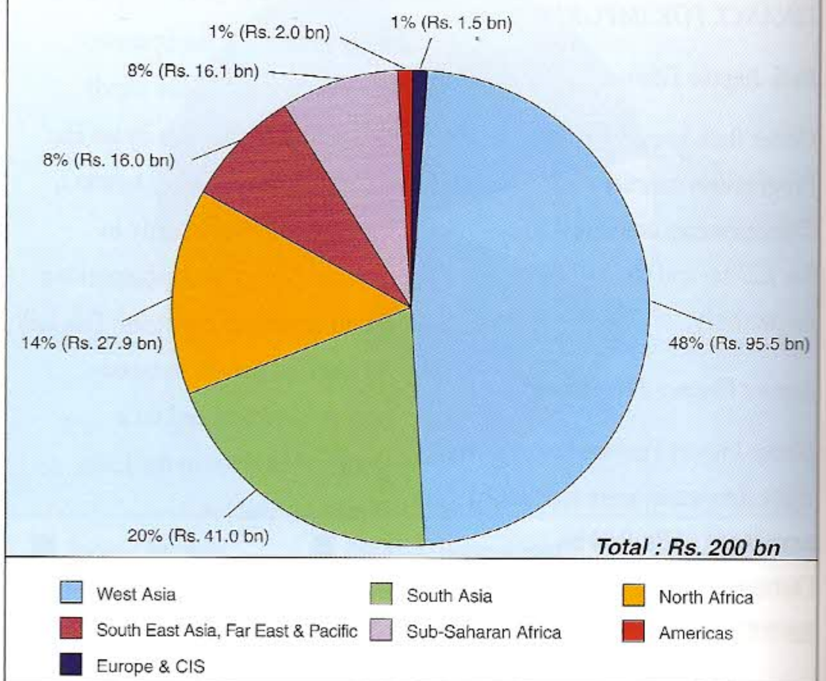
Bank facilitated launch of a quarterly magazine, 'Indo-LAC Business' in April 2003 to focus on bilateral trade between India and Latin America and the Caribbean region. The magazine addresses the business information needs of companies who are interested in trade with the region. The bilingual magazine, published in English and Spanish, is widely distributed to key constituents in India and in the LAC region, utilising also the overseas offices of Exim Bank, and the embassies.

Agri Business Group

In the light of globalisation of agriculture and emerging post WTO scenario, agribusiness has emerged as a growth sector. Exim Bank has also identified agricultural exports as a focus area and has established an 'Agri Business Group' which aims to enable, facilitate, promote and finance agribusiness having export potential. As part of its business strategy, Exim Bank has been developing linkages with relevant organisations in the agribusiness sector such as NABARD, APEDA, CFTRI, Agricultural Finance Corporation Limited, National Horticultural Board, and Small Farmers'

Agri-Business Consortium (SFAC). The Bank is a promoter member of SFAC. Bank signed a Memorandum of Understanding (MOU) with Ministry of Food Processing Industries (MFPI), Government of India, to synergise efforts of MFPI in developing the food processing industry in the country with Exim Bank's expertise. Seven projects financed by the Bank have been referred to MFPI also for assistance, and these projects are expected to result in incremental exports of around Rs. 10 bn in the first five years of operation. The Bank's MOU with NABARD and APEDA helps to leverage their respective strengths with a view to further augmenting exports of agricultural products from India.

Project Export Contracts Supported by Exim Bank
(Under Execution)



Note: As on March 31, 2004, 164 project export contracts valued at Rs. 200 bn were under execution in 43 countries by 35 Indian Companies with Exim Bank's support. These cover construction, turnkey and consultancy contracts.

Bank's support to the food processing sector included term finance and export finance to units engaged in the manufacture and/or processing of mushrooms, pulses, seafood, spices, soya, castor oil derivatives, rice, tea, fruit juices and pulps, instant coffee, gherkins, herbal extracts and medicines and cosmetics, organic food products, ready to eat foods, honey. The units financed included a seabuckthorn fruit juice, pulp and oil unit set up in the Ladakh region and a passion fruit juice unit in Manipur.

Bank's finance to the agricultural sector included term finance to wineries, floriculture, contract farming and export finance for export of agricultural commodities such as basmati rice, wheat, sugar, coffee, ground-nut kernels, cashew, sesame seed. Bank financed export of over 0.6 mn metric tonnes of agricultural commodities from India. Export destinations for commodity exports financed included Nigeria, Singapore, Indonesia, Japan, China, South Africa, Korea, Malaysia and UAE.

A bi-monthly publication titled 'Agri Export Advantage' is brought out in English, Hindi and 10 regional languages. The publication has wide readership in India and overseas among farmer groups, government departments, corporates engaged in agri-related business activities, research institutions, academic institutions, non-governmental organisations, various councils and embassies.

Participation in Overseas Trade Fairs

With a view to promoting international trade and strengthening economic linkages, the Bank participated and showcased its products and services in select trade fairs overseas. The Bank participated in the

Zambian Agricultural and Commercial Show at Lusaka, organised by the India Trade Promotion Organisation (ITPO); the 'Made in India Show' in Tehran, Islamic Republic of Iran, and in the 'Made in India Show' at Yangon, Myanmar, organised by the Confederation of Indian Industry (CII).

Seminars and Workshops

In order to highlight Bank's initiatives in areas such as food processing, health and herbal medicines, the Bank co-sponsored the International Herbal Products Expo and Seminar in Chennai in association with the Voluntary Health, Education and Rural Development Society (VHERDS), the first Nutraceutical Summit at Mumbai, in association with CFTRI, Mysore, and the Herbal World 2003 in Mumbai. The Bank's studies on Indian Systems of Medicine titled "Road Beyond Boundaries: The Case of Select Indian Healthcare Systems", and Occasional Papers titled "Export of Organic Products from India: Prospects and Challenges" and "Export Potential of Indian Medicinal Plants and Products" were released at these events. The Government of India has initiated a special programme on increasing economic ties with the African continent under the New Partnership for Africa's Development (NEPAD). The Bank co-sponsored a programme jointly with the Ministry of External Affairs and CII in New Delhi to disseminate information on the Bank's initiatives in this area.

92 metre high Concrete Gravity Dam under construction at Tala Hydro-Electric project, in Bhutan, being executed by four Indian project export companies viz. Larsen & Toubro Ltd., Jaiprakash Industries Ltd., Hindustan Construction Company Ltd. and Bharat Heavy Electricals Ltd.

Joint Ventures

Global Trade Finance Private Limited (GTF), a Joint Venture, promoted by Exim Bank, with Westdeutsche Landesbank Girozentrale (WestLB), Germany and International Finance Corporation (IFC), Washington D.C., which commenced business in September 2001, achieved a turnover of Rs. 8 bn and a net profit of Rs. 15.2 mn in 2003-04. 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. 15.36 mn in 2003-04 with a pre-tax profit of Rs. 5.98 mn. GPCL executed procurement related consultancy assignments for World Bank in Russia, Poland and for African Development Bank (AfDB) in Swaziland. GPCL is a joint venture between Exim Bank and thirteen 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.

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. 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.

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, 2004, Bank's resources including paid-up capital of Rs. 6.50 bn and reserves of Rs. 14.93 bn aggregated Rs. 155.19 bn. Bank's resource base includes bonds, certificates of deposit, commercial papers and foreign currency deposits/ borrowings/long term swaps.

A US$ 10 mn Line of Credit is extended to Bank TuranAlem in Kazakhstan. This is the first LOC to be extended to Kazakhstan, which is likely to emerge as a major market in the CIS region for Indian technology and projects in the near future. Mr. Saduakas H. Mameshtegi, Deputy Chairman of the Board of Bank TuranAlem, exchanges the agreement with Exim Bank in Almaty, in the presence of Indian Ambassador, Shri V. S. Verma.

Bank issued Commercial Papers of face value Rs. 11.25 bn as part of short-term liquidity management. During the year, Bank raised Rs. 20.25 bn by way of private placement of bonds for tenors ranging from 3 to 10 years.

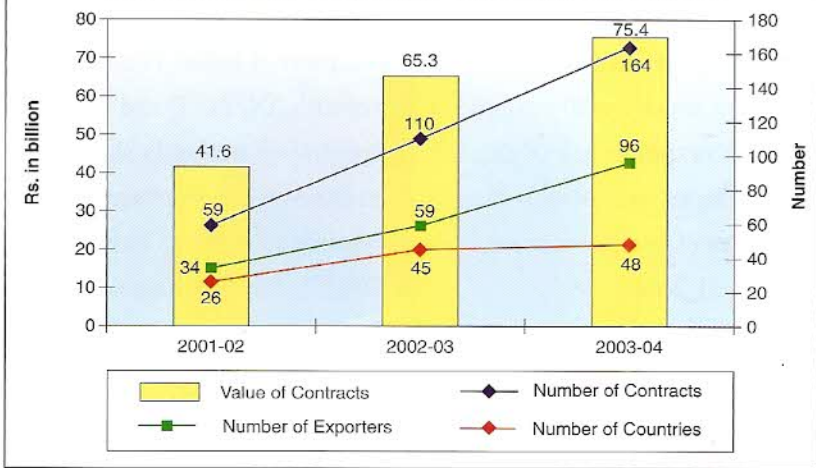
Bank's debt instruments continued to enjoy the highest rating viz. 'AAA' from the rating agencies, CRISIL and ICRA. As at March 31, 2004, outstanding Rupee borrowings including bonds and commercial paper amounted to Rs. 78.82 bn.

The Bank raised US$ 310 mn by way of borrowings/ reciprocal term deposits out of the 'on shore funds' of commercial banks. During the year, the Bank raised US$ 355 mn for extending finance by way of export credit. The Bank executed a Master Agreement with respect to short term finance with DZ Bank AG, Germany for import of goods from Germany and other European countries. The Bank also exchanged US$ 200 mn equivalent by way of Rupee/US$ Medium Term Swap during 2003-04. As at March 31, 2004, the Bank had a pool of foreign currency resources equivalent to US$ 1.2 bn.

Income/Expenditure

The profit before tax (PBT) and profit after tax (PAT) of the Bank were at Rs. 3.04 bn and Rs. 2.29 bn during the year 2003-04 as compared to the previous year's PBT and PAT of Rs. 2.69 bn and Rs. 2.07 bn respectively. Business income comprising interest, discount, exchange commission, brokerage and fees during 2003-04 was Rs. 9.72 bn as compared to Rs. 8.00 bn in 2002-03. Treasury income during 2003-04 was Rs. 3.26 bn as compared to Rs. 2.22 bn in 2002-03. Interest expenditure in 2003-04 at Rs. 6.25 bn was higher by Rs. 1.31 bn mainly due to increase in the borrowings. Non-interest expenses worked out to 6.47 per cent of total expenses during 2003-04 as against 6.90 per cent during 2002-03. The average cost of borrowings (interest expenditure as a per cent of average borrowings) decreased from 6.88 per cent as at March 31, 2003 to 5.96 per cent as at March 31, 2004.

Export contracts secured with Exim Bank's support



Capital Adequacy

The Capital to Risk Assets Ratio (CRAR) was 23.48 per cent as at March 31, 2004 as compared to 26.92 per cent as at March 31, 2003, as against a minimum 9 per cent norm stipulated by RBI. The Debt-Equity Ratio as at March 31, 2004 was 5.30:1, as compared to 4.32:1 as at March 31, 2003.

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.

The Bank's exposures (loan assets plus unutilised sanctions plus guarantees) to single and group borrowers as at March 31, 2004 were within the limits of 15 per cent and 40 per cent of capital funds respectively, as 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.

A view of Hubara Power Plant in Oman under execution by Bharat Heavy Electricals Ltd., New Delhi. Exim Bank has provided guarantees and bridge loans to the Indian company.

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 12 per cent of its total exposure as at March 31, 2004.

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 etc. 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).

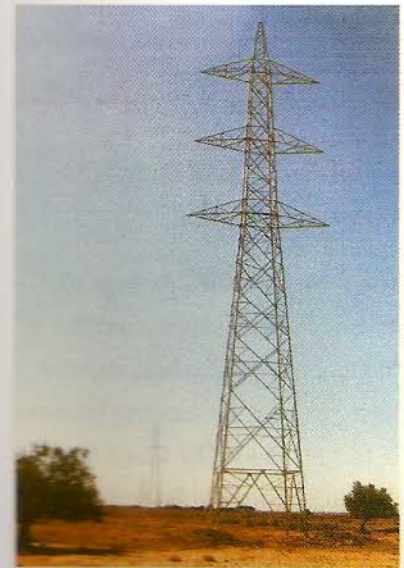
Asset-Liability Management (ALM)

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 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.

Exim Bank extends a Line of Credit (LOC) of US$10 mn to Bank Gospodarstwa Krajowego (BGK), fully owned by Government of Poland, to support India's exports to Poland, which has joined the European Union in May 2004. An Agreement to this effect was signed in Warsaw, Poland.

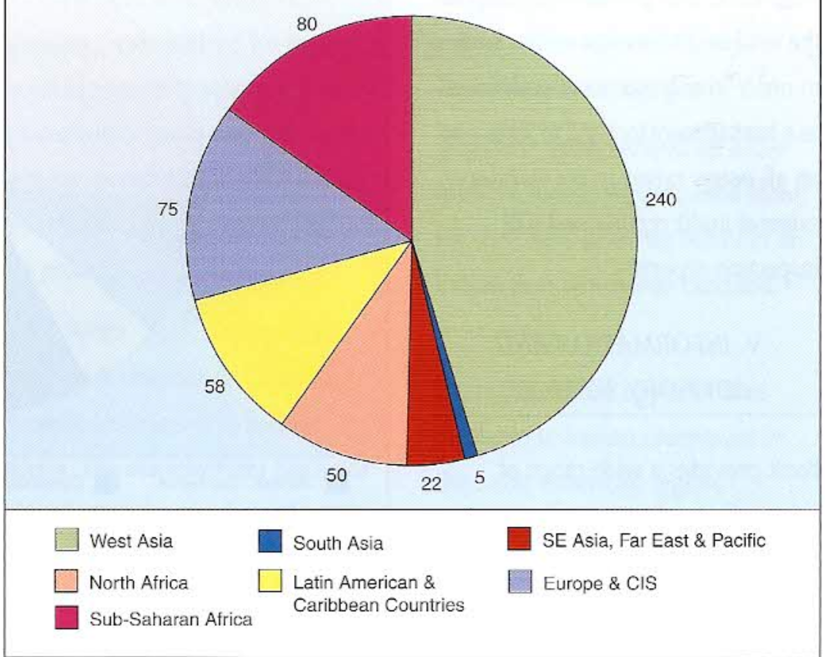
Risk Management

The Integrated Risk Management Committee (IRMC) is independent of operating groups and reports directly to top management. 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 forex risk) of the bank, CRMC deals with credit policy and procedures and analyses, manages and controls credit risk on a bank-wide basis.



KEC International Ltd., Mumbai is the largest turnkey contractor in the power transmission segment. Seen above is the construction of a 521 km long, 225 kV overhead transmission system for Société Tunisienne de l'Electricité et du Gaz (STEG), Tunisia – Libya interconnection project. Exim Bank has provided guarantees and bridge loans to the Indian company.

Active Lines of Credit as on March 31, 2004
(US$ in million)



Note: Twenty eight LOCs covering fifty one countries, with credit commitments aggregating US$ 530 mn, are available for utilisation as on March 31, 2004.

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 1.26 per cent of its loans and advances (net of provisions) as at March 31, 2004, as compared to 2.25 per cent for the previous year.

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 18 months, the assets are classified as 'Doubtful Assets.' 'Loss Assets' are those considered uncollectable. Out of net NPAs at 1.26 per cent of total loans and advances as at March 31, 2004, sub-standard and doubtful assets worked out to 0.74 per cent and 0.52 per cent respectively, and loss assets have been fully provided for.

Internal Audit

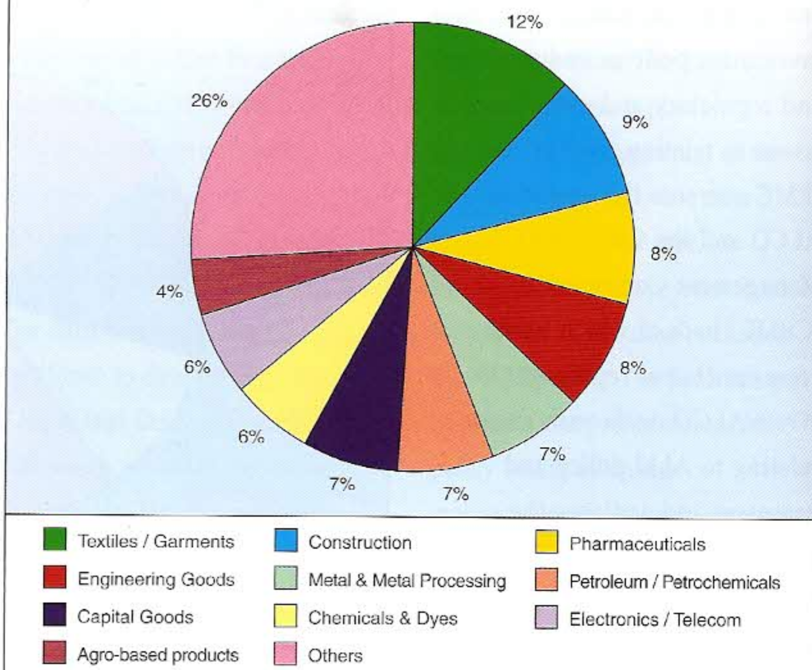
The Internal Audit function of the Bank is overseen by the Audit Committee (AC) of the Board of

Directors. The AC meets at least six times in a year. 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.

V. *INFORMATION AND ADVISORY SERVICES*

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 include market-related information, sector and feasibility studies, technology supplier identification, partner search, investment facilitation and development of joint ventures both in India and abroad.

Sector-wise Exposure as on March 31, 2004



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

During the year, Bank provided a range of services to Indian companies. Information was provided on Indian exports to Poland and Ukraine; horticulture export industry of Ghana; buyers of laminates in Germany, UK and USA; and buyers of fabrics in Russia.

A view of the R&D laboratory of Sami Labs, Bangalore, which is the largest exporter of herbal medicinal extracts and products from India. Exports of Sami Labs were around Rs. 600 mn in 2003-04. Exim Bank has financed the company's products and R&D facility at Bangalore.

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

Eximius Club

Bank provided information and advisory services to members of the Eximius Club set up by the Bank. This package of services to member companies is focussed on improving their prospects for securing business in projects funded by Multilateral Agencies. These companies have wide ranging interests in sectors such as engineering, power transmission, education, telecommunications, construction and engineering design consultancy.

Export Marketing Service for Indian Companies

The Bank, utilising the services of its overseas offices, assisted some Indian companies in establishing their products overseas.

Hungary : A successful product registration with National Institute of Food Hygiene and Nutrition, Hungary, was obtained for two ayurveda products manufactured by a Coimbatore based firm paving the way for its exports. The first export order has also been secured for both the products.

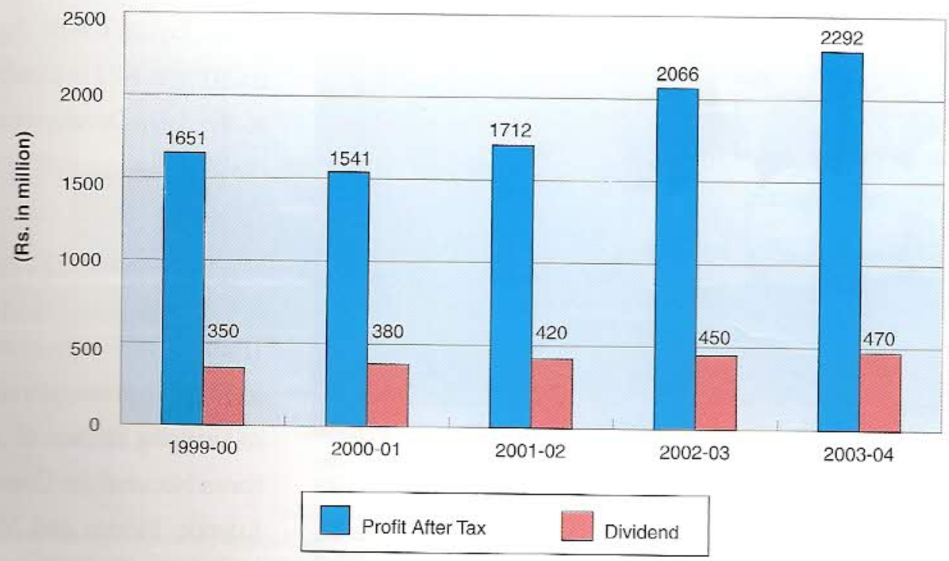
South Africa : Bank continued to work with an identified apparel manufacturer based in South Africa. The manufacturer has since placed repeat orders for cotton fabrics with the medium size Indian company making it a regular sourcing base.

Bank identified a leading South African seafood restaurant chain and led negotiations for a tie-up for its requirements to be met by supplies from an Indian medium size seafood exporter. The Indian company has already executed four export orders valued at over Rs. 10 mn during the year.

Singapore : Bank secured an order from a Chinese departmental store, for stationery items on behalf of an Indian firm which was executed successfully.

Laying thrust on opportunities available to Indian companies in the Latin American region, Bank is also facilitating the launch of a premium cosmetic line of products in Brazil by an associate firm of a leading Indian FMCG player. The process of setting up a distributorship chain in Brazil is at an advanced stage.

Trends in Profit and Dividend



Institutional Linkages

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

The Bank entered into an MOU with CFTRI. The MOU seeks to leverage complementary strengths, and would promote research undertaken by CFTRI and its commercial applications as relevant to exports.

During the year, Bank became a member of International Chamber of Commerce, India.

ADFIAP Development Award

The Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Development Award recognises and honours ADFIAP member institutions, which have assisted projects that have created a development impact in their respective countries. Awards are given to member institutions, which have implemented or enhanced outstanding and innovative development projects during the year. Exim Bank was conferred the 2004 'Trade Development Award', during the 27th ADFIAP Annual Meeting in Almaty, Kazakhstan. This is the second time that Exim Bank has been conferred with the Award by ADFIAP.

The Award is in recognition of the Bank's Consultancy Support Programme that proactively creates an enabling environment for Indian consultants to share their experience and expertise. The programme has its genesis in the working arrangement successfully set in place with International Finance Corporation (IFC) to support entrepreneurs in Sub-Saharan Africa. Based on the successful and positive experience, the geographical reach of Exim Bank's programme has been substantially enhanced to encompass several newer facilities of the IFC worldwide. In the Asia-Pacific region, the programme provides support to entrepreneurs in Vietnam, Laos, Cambodia, China, CIS, Bangladesh, Nepal, Bhutan and North Eastern region of India.

The Bank fosters close co-operation with other Export Credit Agencies (ECAs) in the Asia Pacific Region. The 9th Annual Meeting of the Asian ECAs, hosted by Philippine Export-Import Credit Agency (PhilExim), was held in October 2003 at the Asian Development Bank (AsDB) Headquarters, Manila, Philippines. This year marked the initiation of the Bilateral L/C Confirmation Facility Arrangement with the signing of the facility agreements by participating ECAs, which is aimed at reducing transaction costs and augmenting the existing trade flows amongst countries in the region.

Forum of ECAs

The 9th Annual meeting of the Asian Export Credit Agencies (ECA) was held in October 2003 at the Asian Development Bank (AsDB) Headquarters at Manila, Philippines. India, Australia, China, Indonesia, Japan, Korea, Malaysia, Philippines, Thailand were represented. In addition, representatives from co-financing division of AsDB, Banco Nacional de Commercio Exterior, Mexico, and Ministry of Finance, Government of

Vietnam were present. Vietnam is in the process of setting up its own Exim Bank.

The initiative for holding Annual Meetings of Asian ECAs to exchange information and share ideas in a structured manner was originally taken by Exim Bank of India which also 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) and Kuala Lumpur (2002). Consequent to signing the Multilateral L/C Confirmation Facility Agreement by participating institutions (on voluntary basis) in the 8th Annual Meeting, this year marked the initiation of the Bilateral L/C Confirmation Facility Arrangement with the signing of the facility agreements by (i) India and Malaysia, (ii) India and Thailand, (iii) Malaysia and Korea. The Agreement is aimed at augmenting the existing trade flows amongst countries in the region. There is a growing perception that the Agreement would be most useful during times of crisis such as the Asian Financial Crisis of 1997, and a co-ordinated policy amongst member countries would play a role in controlling spread of financial turmoil and in promoting regional stability.

One of the three 100 bed super-speciality hospitals under construction in Saudi Arabia by Larsen & Toubro Ltd., Chennai and Progressive Constructions Ltd., Hyderabad. Exim Bank has extended guarantee support to the Indian companies.

VI. PROMOTIONAL PROGRAMMES

Consultancy Support Programme

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

As on March 31, 2004, Bank has supported 77 consultancy assignments by Indian consultants in 28 countries covering a number of specialised fields such as agro processing, stone washing, leather goods, financial accounting, auto parts, gems and jewellery, pharmaceuticals, software, power. During the year, services of Indian consultants were utilised in sectors such as agriculture, horticulture, bank restructuring and environment management.

National Programme for the Development of Indian Machine Tools Industry

Bank participated in the 'National Programme for the Development of Indian Machine Tools Industry' with the Ministry of Small Scale Industries, Government of India in collaboration with United Nations Industrial Development Organisation (UNIDO). The prime objective of the programme is to provide major technological, marketing and capacity building inputs to the Indian machine tool industry so that this industry achieves global competitiveness, and to focus on nurturing and development of SMEs in this sector. A number of activities to boost export, technology upgradation, market development and capacity building for development of Indian machine tool industry have been implemented under the programme. This programme has since been recognised as a success story by UNIDO.

Eximius Centre for Learning

During the year, the Bank's Eximius Centre for Learning, Bangalore, conducted twenty three programmes. These included three country specific business opportunities seminars, covering China, Germany and UK. The Centre conducted thirteen seminars/workshops: Intellectual Property Issues: Pharmaceutical, Bio-tech and IT Sectors; Turnaround Strategies/Mergers/Acquisitions; Quality Standards for Export of Food Products; Enhancing Capabilities of State-Level Export Promotion Organisations (in Noida and Bangalore); Garment Export Strategy from India; Pre-Treatment and Finishing of Textiles and Apparels; Cutting Costs and Gaining Markets through Supply Chain Management; International Marketing-Changing Perspectives; IT-Marketing Strategies and Emerging Opportunities; Foreign Currency Risk Management for Corporate and Bank Treasuries; Law Relating to Export and Management; and Packaging of Engineering goods, Electronics and Machine tools.

Exim Bank's publication, "Market Maker" containing project profiles in food processing sector based on CFTRI technologies, was formally released by Dr. M. S. Swaminathan during CFTRI Research Council Meeting at Mysore. Dr. V. Prakash, Director, CFTRI is also seen in the picture. Exim Bank has an MOU with CFTRI to promote small scale food processing projects in Africa and CIS region under its Lines of Credit facility.

The Centre conducted programmes on Business Opportunities in World Bank Funded Projects in Mumbai and Hyderabad, and Business Opportunities in AsDB Funded Projects in Pune and New Delhi. A seminar on Development of Domestic Consulting Services was conducted in New Delhi in association with AsDB and Consultancy Development Centre, New Delhi. A workshop on Strategies for Financing: Lasting Development in India was organised in Mumbai with ADFIAP and InWEnt, an agency supported by Federal Government of Germany. A workshop on Financial Aspects in Exports was organised in Mumbai with Centre for the Promotion of Imports from Developing Countries (CBI), The Netherlands.

Award for Business Excellence

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. Over the past decade, there have been only four companies viz. Hewlett Packard India Limited, Maruti Udyog Limited, TISCO and Infosys Technologies Limited who have received the award. In 2003, a number of corporates, including Indian joint ventures operating abroad, participated in the award process. Although there was no winner, three companies, viz., Alexandria Carbon Black, Egypt; Bharat Heavy Electricals Limited, Tiruchirapalli, and Birla Cellulosic were commended by the jury for significant achievement in their journey towards Business Excellence, while nineteen corporates were commended for strong commitment to TQM.

VII. INFORMATION TECHNOLOGY

The Bank continued its initiatives in enhancing the use of knowledge management tools, communication across its various constituents for better sharing of information, user empowerment and system intelligence capabilities.

Systems were supported and upgraded in various areas including those of Planning and Budgeting; Country Analysis; Industry Analysis; Risk Measurement and Analysis; a core system with an integrated database comprising various functional areas of the Bank leading to data warehousing and related analysis; 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.

Gas Pipeline Project under construction in Indonesia by Punj Lloyd Ltd., New Delhi. Exim Bank has provided guarantees and bridge loans to the Indian company.

The Bank's portal (www.eximbankindia.com) features relevant information on the Bank's various lending programmes and information and advisory services for Indian exporters as also for others interested in international trade. The portal is being increasingly used by internal and external constituents.

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.

VIII. RESEARCH AND ANALYSIS

In 1989, Bank instituted an Annual Award for research in 'International Economics, Trade and Development, and Related Financing'. The objective is to promote research in international economics, trade and development, and related financing, by Indian nationals at universities and academic institutions in India and abroad. Award consists of a sum of one hundred thousand rupees and a citation.

The winners for the year 2003 are Dr. Debkusum Das, Reader in Economics, University of Delhi and Dr. C. Veeramani, Fellow, Indian Council for Research on International Economic Relations (ICRIER), New Delhi, for their theses 'Some Aspects of Productivity Growth and Trade in Indian Industry' and 'Intra-Industry Trade under Economic Liberalisation: An Analysis of India's Manufacturing Sector', respectively.

Four occasional papers were published by the Bank during the year covering the following topics: Export Potential of Organic Products from India: Prospects and Challenges; Export Potential of Indian Medicinal Plants and Products; Select Southern African Countries: A Study of India's Trade and Investment Potential; and BIMST-EC Initiative: A Study of India's Trade and Investment Potential with Select Asian Countries.

During the year, Bank also published three working papers covering the following topics: Strategy for Quantum Jump in Exports: Focus on Africa, Latin America and China; Export Potential of Indian Steel; and Export Potential of Indian Jute Industry.

Bank also brought out two books titled "Road Beyond Boundaries : The Case of Select Indian Healthcare Systems" and "Project Exports : Connecting Continents with Indian Expertise" during the year.

132 kV double circuit transmission lines and substation in Sharqiya Region, Oman, executed by Jyoti Structures Ltd., Mumbai. Exim Bank has provided guarantees and bridge loans to the Indian company.

IX. HUMAN RESOURCES MANAGEMENT

As on March 31, 2004, Bank had a total staff of 190 in its service including 134 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. Bank aims at continuous upgradation of skills of its officers. During 2003-04, 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 and risk management, documentary credits, financing of agro-food processing industries, marketing for business growth, NPA management and recovery strategies, information systems audit and IT risk management, upgradation of computer literacy, internet applications in libraries, negotiation skills, managing human skills in organisations, finance for non-finance officers, communication and presentation skills.

X. PROGRESS IN IMPLEMENTATION OF THE OFFICIAL LANGUAGE POLICY

Bank's efforts for accelerating the use of Hindi for official purposes received recognition from various authorities : (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 Head office for commendable performance in implementing Hindi among all financial institutions for the year 2002-2003. (ii) Bank Nagar Rajbhasha Karyanvayan Samiti, Mumbai, constituted under the auspices of Department of Official Language, Ministry of Home Affairs, Government of India, has awarded the First Prize to Exim Bank's Head Office for commendable performance in implementing Hindi among all financial institutions for the year 2002-2003. (iii) Bank's offices located in Region C have been declared first among public sector banks and financial institutions and received the RBI Governor's Shield for the year 2001-02. For the year 2002-03, Bank's offices located in Region C have been declared third among public sector banks and financial institutions and were presented the RBI Governor's Shield. (iv) RBI awarded Third Prize to Bank's in-house magazine 'Eximius' for the year 2002-03 in an all-India competition among commercial banks and financial institutions. (v) Bank's Kolkata office received Certificate of Merit from Bank Nagar Rajbhasha Karyanvayan Samiti, Kolkata for best performance in implementing Hindi during the year 2002-03. (vi) Rajbhasha Avam Prabhandhan Vikas Sanstha, New Delhi awarded a special trophy to Bank's in-charge Hindi Officer for the outstanding work done in the area of implementation of Hindi in the Bank.

Exim Bank remains in the forefront in implementing the Official Language Policy of Government of India in its operations. The Bank received the First Prize in Region C and other prizes, at the hands of Dr. Y.V. Reddy, Governor, Reserve Bank of India.

The Bank continued its efforts to strengthen the implementation of the Official Language Policy. The Evidence Committee of Parliament on Official Language reviewed the position of implementation of Hindi in Bank's Head Office in December 2003.

In order to impart training in Hindi noting and drafting to officers of the Bank, twenty four 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. Three officers were awarded prizes under the scheme.

Checkpoints are in operation to ensure compliance and smooth implementation of the Official Language policy and to achieve targets fixed in the Annual Programme.

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 pursuance of Government's directives, a Hindi fortnight commencing from September 1, 2003 was celebrated. As a part of this celebration, Shri Ranjit, a well known film actor, was invited to share his experiences. 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. A special Hindi issue of 'Eximius' ('Vishwa Hindi Viseshank') was published for the year 2003-04.

In pursuance of Government policy regarding progressive use of Hindi and to achieve targets fixed in the annual programme for 2003-04, new books on foreign trade, commerce, financing, banking, information technology and other subjects as well as classical and contemporary literature were added to Bank's Library. Official Language Implementation Committees at Bank's Head Office and other offices met at quarterly intervals to monitor the progress made in achieving targets fixed for use of Hindi in the Bank.

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

Bank, with a total staff strength of 190 in its service as on March 31, 2004 has 21 Scheduled Caste, 15 Scheduled Tribe and 21 Other Backward Class staff members. 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 receives the ADFIAP 'Trade Development Award', from Ambassador Jesus P. Tambunting, Chairman, ADFIAP Board of Directors, in the presence of Mr. Orlando Pena, Secretary General, ADFIAP during the 27th ADFIAP Annual Meeting held in Almaty, Kazakhstan.

ASSOCIATION OF DEVELOPMENT FINANCING INSTITUTIONS IN ASIA AND THE PACIFIC

ADFIAP DEVELOPMENT AWARDS

Export-Import Bank of India

Winner: TRADE DEVELOPMENT

Project Entry: Consultancy Support Program

Export-Import Bank of India's Consultancy Support Program proactively creates the enabling environment for India to share its experience and expertise to the world. The program has its genesis in the working arrangement successfully set in place with International Finance Corporation (of the World Bank Group) to support entrepreneurs in sub-Saharan Africa, through the provision of a variety of technical assistance by Indian consultants.

Based on the successful and positive experience, the geographical reach of the Exim India program has been substantially enhanced to encompass several newer facilities of the IFC worldwide. In the Asia-Pacific region, in addition to the earlier Mekong Facility with focus on Vietnam, Laos, and Cambodia, the arrangement now includes China, the CIS countries, as also South Asia with thrust on Bangladesh, Nepal and Bhutan.

These consultancy arrangements have brought Indian experts to undertake assignments in diverse fields spanning various sectors of the economy and demonstrating Indian capability. IFC recognizes this contribution and Exim India, as an institution that supports such activities from its own resources, is singularly privileged to be invited to their donor meetings alongside aid agencies from developed economies.

This ADFIAP Award 2004 recognizes Export-Import Bank of India for this innovative facility which has helped increase visibility for Indian expertise, and leveraging upon its links with multilateral agencies, trade and investment promotion bodies, promoted Indian exports.

Ambassador Jesus P. Tambunting
Chairman
ADFIAP Board of Directors

Balance Sheet as at March 31, 2004 and Profit & Loss Account for 2003-04

Exim Bank pays Rs. 470 mn as dividend to the Government of India. Shri P. Chidambaram, Union Finance Minister receives the cheque from Shri T. C. Venkat Subramanian, Chairman and Managing Director, Exim Bank.

Balance Sheet

as at 31st March, 2004

Liabilities

		Schedules	This Year (As at 31.03.2004) Rs.	Previous Year (As at 31.03.2003) Rs.
1.	Capital	I	6,499,918,881	6,499,918,881
2.	Reserves	II	14,933,014,180	13,170,904,893
3.	Profit & Loss Account	III	470,000,000	450,000,000
4.	Notes, Bonds & Debentures		76,700,580,430	64,902,091,020
5.	Bills Payable		—	—
6.	Deposits	IV	20,922,102,710	9,120,755,855
7.	Borrowings	V	21,582,667,243	16,466,863,518
8.	Current Liabilities & Provisions		13,397,276,241	11,830,612,186
9.	Other Liabilities		685,973,868	747,888,165
10.	Reserve for possible loan losses		—	—
	Total		155,191,533,553	123,189,034,518

Contingent Liabilities

		This Year	Previous Year
(i)	Acceptances, Guarantees, endorsements & other obligations	15,768,884,000	16,132,906,000
(ii)	On outstanding forward exchange contracts	—	—
(iii)	On underwriting commitments	—	—
(iv)	Uncalled Liability on partly paid investments	13,115,250	14,245,500
(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	628,113,000	313,540,000
	Total	19,728,912,250	19,779,491,500

General Fund

Assets

		Schedules	This Year (As at 31.03.2004) Rs.	Previous Year (As at 31.03.2003) Rs.
1.	Cash & Bank Balances	VI	25,765,892,040	12,704,535,257
2.	Investments	VII	14,573,307,311	16,410,790,311
3.	Loans & Advances	VIII	106,377,895,564	86,886,380,899
4.	Bills Purchased, Discounted, Rediscounted	IX	1,373,200,000	850,000,000
5.	Fixed Assets	X	630,063,739	503,045,243
6.	Other Assets	XI	6,471,174,899	5,834,282,808
7.	Profit & Loss Account		—	—
	Total		155,191,533,553	123,189,034,518

Note : 1. Cash & Bank Balances include term deposits with banks.
2. Previous Year figures have been regrouped wherever necessary.

S. Sridhar
Executive Director

R.M.V. Raman
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

A.K. Purwar
S.C. Basu
Dr. S. Chandra

P. M. A. Hakeem
Dr. Pulin Nayak

R.V. Shastri
Dr. Vinayshil Gautam
Dr. Budhajirao R. Mulik

Directors

As per our attached report of even date
For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai
Dated : April 24, 2004

Profit & Loss Account

for the year ended 31st March, 2004

Expenditure

		This Year	Previous Year
		Rs.	Rs.
1.	Interest	6,207,029,718	4,903,108,855
2.	Credit Insurance (Including Guarantee Fee)	40,860,747	40,072,044
3.	Staff Salaries, Allowances etc. and Terminal Benefits	68,370,966	67,367,098
4.	Directors' and Committee Members' Fees and Expenses	788,256	481,358
5.	Audit Fees	455,000	250,000
6.	Rent, Taxes, Electricity and Insurance Premia	45,698,324	56,414,160
7.	Postage, Telegrams and Telex	14,905,754	13,557,562
8.	Legal Expenses	24,533,942	5,894,501
9.	Other Expenses	190,065,297	163,553,566
10.	Depreciation	87,361,078	58,813,885
11.	Transferred to Reserve for possible loan losses	—	—
12.	Profit carried down	3,042,328,037	2,686,032,647
	Total	9,722,397,119	7,995,545,676
	Provision for Income Tax	750,000,000	620,000,000
	Balance of profit transferred to Balance Sheet	2,292,328,037	2,066,032,647
		3,042,328,037	2,686,032,647

Report of the Auditors

We have audited the attached Balance Sheet of General Fund of Export-Import Bank of India as at 31st March, 2004 and also the Profit and Loss Account of General Fund of the Bank for the year ended on that date annexed thereto and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
2. 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.
3. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the General Fund of the Bank as at 31st March, 2004.

For G. P. Ghose & Associates
Chartered Accountants

Mumbai
Dated: April 24, 2004.

G. P. Ghose
Partner

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	8,642,148,342	7,216,816,585
2. Exchange, Commission, Brokerage and Fees	462,904,068	603,219,590
3. Other Income	617,344,709	175,509,501
4. Loss carried to Balance Sheet	—	—
Total	9,722,397,119	7,995,545,676
Profit brought down	3,042,328,037	2,686,032,647
Excess Income/Interest tax provision of earlier years written back	—	—
	3,042,328,037	2,686,032,647

Note : 1. Income includes Rs. 3.26 bn on account of treasury operations, investment & bank deposits (Previous year Rs. 2.22 bn).

2. Previous Year figures have been regrouped wherever necessary.

S. Sridhar
Executive Director

R.M.V. Raman
Executive Director

T.C. Venkat Subramanian
Chairman & Managing Director

A.K. Purwar
S.C. Basu
Dr. S. Chandra

P. M. A. Hakeem
Dr. Pulin Nayak

R.V. Shastri
Dr. Vinayshil Gautam
Dr. Budhajirao R. Mulik

Directors

As per our attached report of even date
For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai
Dated : April 24, 2004

Schedules to the Balance Sheet

as at 31st March, 2004

		This Year (As at 31.03.2004)	Previous Year (As at 31.03.2003)
		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)	6,499,918,881	6,499,918,881
Schedule II :	Reserves :		
	1. Reserve Fund	11,091,323,616	10,189,214,329
	2. General Reserve	—	—
	3. Other Reserves :		
	Investment Fluctuation Reserve	561,371,500	251,371,500
	Sinking Fund (Lines of Credit)	620,319,064	470,319,064
	4. Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961	2,660,000,000	2,260,000,000
		14,933,014,180	13,170,904,893
Schedule III :	Profit & Loss Account :		
	1. Balance as per annexed accounts	2,292,328,037	2,066,032,647
	2. Less: Appropriations:		
	- Transferred to Reserve Fund	902,109,287	721,232,647
	- Transferred to Investment Fluctuation Reserve	310,000,000	250,000,000
	- Transferred to Sinking Fund	150,000,000	37,100,000
	- Transferred to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	400,000,000	550,000,000
	- Provision for tax on distributed profit by way of dividend	60,218,750	57,700,000
	3. Balance of the net profits (Transferable to the Central Government in terms of Section 23(2) of the Exim Bank Act,1981)	470,000,000	450,000,000
Schedule IV :	Deposits:		
	(a) In India	20,922,102,710	9,120,755,855
	(b) Outside India	—	—
		20,922,102,710	9,120,755,855
Schedule V :	Borrowings :		
	1. From Reserve Bank of India :		
	(a) Against Trustee Securities	—	—
	(b) Against Bills of Exchange	—	—
	2. From Government of India	93,333,336	107,666,669
	3. From Other Sources :		
	(a) In India	2,874,350,000	1,661,975,000
	(b) Outside India	18,614,983,907	14,697,221,849
		21,582,667,243	16,466,863,518
Schedule VI :	Cash & Bank Balances :		
	1. Cash in Hand	91,536	75,114
	2. Balance with Reserve Bank of India	221,816	2,760,837
	3. Balances with other Banks:		
	(a) In India	23,805,277,660	9,565,868,999
	(b) Outside India	1,860,301,028	3,035,830,307
	4. Money at call and short notice	100,000,000	100,000,000
		25,765,892,040	12,704,535,257

General Fund

		This Year (As at 31.03.2004)	Previous Year (As at 31.03.2003)
		Rs.	Rs.
Schedule VII :	**Investments:**		
	1. Securities of Central and State Governments	3,219,530,328	5,726,400,328
	2. Equity Shares & Stocks	1,042,969,983	1,072,405,883
	3. Preference Shares and Stocks	130,257,000	13,187,000
	4. Notes,Debentures and Bonds	3,518,050,000	3,696,497,100
	5. Others	6,662,500,000	5,902,300,000
		14,573,307,311	16,410,790,311
Schedule VIII :	**Loans & Advances:**		
	1. Foreign Governments	180,331,539	180,331,539
	2. Banks:		
	(a) In India	19,576,946,720	15,846,759,657
	(b) Outside India	1,509,114,036	280,180,979
	3. Financial Institutions:		
	(a) In India	—	—
	(b) Outside India	1,137,066,973	1,407,354,385
	4. Others	83,974,436,296	69,171,754,339
		106,377,895,564	86,886,380,899
Schedule IX :	**Bills Purchased, Discounted, Rediscounted:**		
	(a) In India	1,373,200,000	850,000,000
	(b) Outside India	—	—
		1,373,200,000	850,000,000
Schedule X :	**Fixed Assets :** *(At cost less depreciation)*		
	1. Premises	576,624,273	428,143,085
	2. Others	53,439,466	74,902,158
		630,063,739	503,045,243
Schedule XI :	**Other Assets :**		
	1. Accrued interest on investments and on loans	1,403,885,507	1,423,661,569
	2. Prepaid insurance premium - paid to Export Credit Guarantee Corporation of India Ltd.	3,714,666	1,170,503
	3. Deposits with sundry parties	21,554,010	21,514,783
	4. Others	5,042,020,716	4,387,935,953
		6,471,174,899	5,834,282,808

Note : Previous Year figures have been regrouped wherever necessary.

Balance Sheet

as at 31st March, 2004

Liabilities

		This Year (As at 31.03.2004)	Previous Year (As at 31.03.2003)
		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	40,756,318	35,751,693
5.	Profit and Loss Account	160,173,785	145,489,880
	Total	329,237,890	309,549,360

Contingent Liabilities

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

Note : 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. 6.62 mn 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 31.03.2004)	Previous Year (As at 31.03.2003)
		Rs.	Rs.
1.	Bank Balances	287,091,332	271,192,125
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	33,641,240	29,851,917
6.	Profit and Loss Account	—	—
	Total	329,237,890	309,549,360

S. Sridhar
Executive Director

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Executive Director

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R.V. Shastri
Dr. Vinayshil Gautam
Dr. Budhajirao R. Mulik

Directors

As per our attached report of even date
For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai
Dated : April 24, 2004

Profit & Loss Account

for the year ended 31st March, 2004

Expenditure

		This Year	Previous Year
		Rs.	Rs.
1.	Interest	—	—
2.	Other Expenses	—	—
3.	Profit carried down	20,948,905	22,650,078
	Total	20,948,905	22,650,078
	Provision for Income Tax	6,265,000	7,108,000
	Balance of profit transferred to Balance Sheet	14,683,905	15,542,078
	Total	20,948,905	22,650,078

Report of the Auditors

We have audited the attached Balance Sheet of Export Development Fund of Export-Import Bank of India as at 31st March, 2004 and also the Profit and Loss Account of Export Development Fund of the Bank for the year ended on that date annexed thereto and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
2. 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.
3. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet is a full and fair Balance Sheet containing all the necessary particulars and is properly drawn up so as to exhibit a true and fair view of the state of affairs of the Export Development Fund of the Bank as at 31st March, 2004.

For G. P. Ghose & Associates
Chartered Accountants

Mumbai
Dated: April 24, 2004.

G. P. Ghose
Partner

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	20,948,905	22,650,078
2. Exchange, Commission, Brokerage and Fees	—	—
3. Other Income	—	—
4. Loss carried to Balance Sheet	—	—
Total	20,948,905	22,650,078
Profit brought down	20,948,905	22,650,078
Excess Income/Interest tax provision of earlier years written back	—	—
Total	20,948,905	22,650,078

S. Sridhar
Executive Director

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Directors

As per our attached report of even date
For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai
Dated : April 24, 2004

Notes to Accounts — General Fund

1. 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. 30,046,495,410 (Previous year Rs. 32,635,851,422) held on agency account including a sum of Rs. 27,150,380,734 assigned to GOI are not included in the above Balance Sheet.

2. 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. 792.2 mn towards income-tax and Rs. 62.5 mn 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 and 2001-02 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. The amount of 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.

4. The outstanding forward contracts amounted to Rs. 2025.8 mn (previous year Rs. 63.5 mn) as at March 31, 2004 and these have been fully hedged.

5. Capital as on March 31, 2004

(a)

(i) Capital to Risk Assets Ratio (CRAR)	23.48%
(ii) Core CRAR	22.19%
(iii) Supplementary CRAR	1.29%

(b) 'Notes, Bonds and Debentures' include 8% 2022 Bonds subscribed by Government amounting to 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 RBI/Government.

(c) The amount of subordinated debt raised and outstanding as on March 31, 2004 as Tier-II capital : NIL

(d) Risk weighted assets –

(i) 'On' balance sheet items : Rs. 99.19 bn

(ii) 'Off' balance sheet items: Rs. 11.99 bn

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

- *The CRAR and other related parameters, have been determined as per the extant capital adequacy norms prescribed by RBI for the FIs.*

6. Asset quality and credit concentration as on March 31, 2004

(a) Percentage of net Non-Performing Assets (NPAs) to net loans and advances : 1.26 (previous year 2.25)

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

	Amount (Rs. bn)	Percentage
Sub-standard Assets	0.76	0.74
Doubtful Assets	0.53	0.52
Loss Assets	—	—
	1.29	1.26

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

	Amount (Rs. bn)
Standard Assets	0.38
NPAs	0.43
Investments (other than those in the nature of an advance)	0.04
Income Tax	0.75

(d) Movement in net NPAs :

	Amount (Rs. bn)
Net NPAs as on April 1, 2003	1.84
New NPAs during 2003-04	0.20
Recoveries/upgradations during 2003-04	0.75
Net NPAs as on March 31, 2004	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)

	Amount (Rs. bn)
Opening balance as at the beginning of the financial year	6.00
Add : Provisions made during the year	0.43
Less : Write off, write back of excess provision	0.43
Closing balance at the close of the financial year	6.00

(f) Provisions for depreciation in investments

	Amount (Rs. bn)
Opening balance as at the beginning of the financial year	0.14
Add :	
i. Provisions made during the year	0.04
ii. Appropriation, if any, from Investment Fluctuation Reserve Account during the Year	Nil
Less :	
i. Write off during the year	Nil
ii. Transfer, if any, to Investment Fluctuation Reserve Account	Nil
Closing balance as at the close of the financial year	0.18

(g) Restructured Standard Assets as on March 31, 2004 : Rs. 1.41 bn (previous year Rs. 3.93 bn).

(h) Restructured Sub-standard Assets as on March 31, 2004 : Rs. 0.16 bn (previous year Rs. 0.05 bn).

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

	Rs. bn
(a) Total amount of loan assets subjected to restructuring under CDR (a=b+c+d)	2.81
(b) The amount of standard assets subjected to CDR	2.43
(c) The amount of sub-standard assets subjected to CDR	Nil
(d) The amount of doubtful assets subjected to CDR	0.38

(j) Credit Exposure :

		Percentage to Capital Funds *	Percentage to Total Credit Exposure (TCE)@
i)	Largest single borrower	13.69	1.93
ii)	Largest borrower group	25.36	3.57
iii)	10 largest single borrowers	101.80	14.33
iv)	10 largest borrower groups	130.12	18.32

* Capital Funds as on March 31, 2003

@TCE : Loans + Advances + Unutilised Sanctions + Guarantees Outstanding.

Credit exposure to banks and overseas institutions guaranteed by Government, not considered for single/group borrowers exposure.

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

Sector	Percentage to Total Credit Exposure (TCE)
i) Textile & Garments	11.57
ii) Construction	8.58
iii) Drugs and Pharmaceuticals	7.99
iv) Engineering Goods	7.93
v) Metals & Metal Processing	7.50

- *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.*

Refinance to banks and Lines of Credit/Buyer's Credit to overseas entities have been excluded.

7. Liquidity :

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

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

(Rs. bn)

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

8. Operating results :

(a) Interest income as a percentage to average working funds: 6.41 (previous year 8.01)

(b) Non-interest income as a percentage to average working funds: 0.78 (previous year 0.79)

(c) Operating profit as a percentage to average working funds: 2.39 (previous year 3.39)

(d) Return on average assets : 1.65% (previous year 2.11%)

(e) Net Profit per (permanent) employee : Rs. 12.1 mn (previous year Rs. 12.4 mn)

- *For operating results, the working funds and total assets have been taken as the average of the figures as at the end of the previous accounting year, the end of the succeeding half year and the end of the accounting year under report. (The "working funds" refer to the total assets).*
- *All permanent, full-time employees in all cadres have been reckoned for computing per employee net profit.*

9. Forward Rate Agreements/Interest Rate Swap in terms of RBI Guidelines dated July 7, 1999 and thereafter:

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 fulfil their obligations	Rs. 40 mn
6. Collateral required	—
7. Concentration of credit risk arising from swaps	All transactions fall within exposure limits.
8. Fair value of swap book	Rs. 270 mn

10. Issuer categories in respect of Investments made (As on March 31, 2004)

(Rs. bn)

Sr. No.	Issuer	Amount	Amount of investment made through private placement	Amount of 'below investment grade' Securities held	Amount of 'unrated' Securities held	Amount of '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.

11. Non performing Investments

(Rs. bn)

Particulars	Amount
Opening balance	0.10
Additions during the year	0.04
Reductions during the year	—
Closing balance	0.14
Total provisions held	0.10

S. Sridhar
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Directors

As per our attached report of even date
For G. P. Ghose & Associates
Chartered Accountants

G. P. Ghose
Partner

Mumbai
Dated : April 24, 2004

Significant Accounting Policies

(i) **Financial Statements**

Balance Sheet and Profit and Loss account of Export-Import Bank of India 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 and commitment charges, which are accounted on cash basis. Discount / redemption premium offered on Exim Bank Bonds has been amortised over the tenor of the bond and included in interest expenses.

(b) Interest & 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 & Bonds
v) Subsidiaries/Joint Ventures
vi) Others (CP, 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 vide its circular dated November 9, 2000 issued to All-India Term Lending Institutions.

(v) **Fixed Assets and Depreciation**

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

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

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

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

(vi) **Accounting for Foreign Currency Transactions**

(a) Foreign currency liabilities and foreign currency assets of the Bank are converted at the market exchange rate prevailing on the date of Balance Sheet except in case of Non-Performing Assets (in accordance with RBI guidelines).

(b) Assets and Liabilities pertaining to overseas Representative Offices of the Bank are translated at the exchange rate as on the date of the Balance Sheet. Their income and expenses are translated at average exchange rate of remittances.

(c) The Exchange difference, if any, arising out of the translations at (a) and (b) above is debited/credited to "Reserve for Exchange Rate Fluctuations" except on account of currency swaps where the exchange difference is grouped under "Other Assets/Other Liabilities".

(d) Exchange income in respect of loans, advances designated for repayment in foreign currency is recognised on realisation.

(vii) **Guarantees**

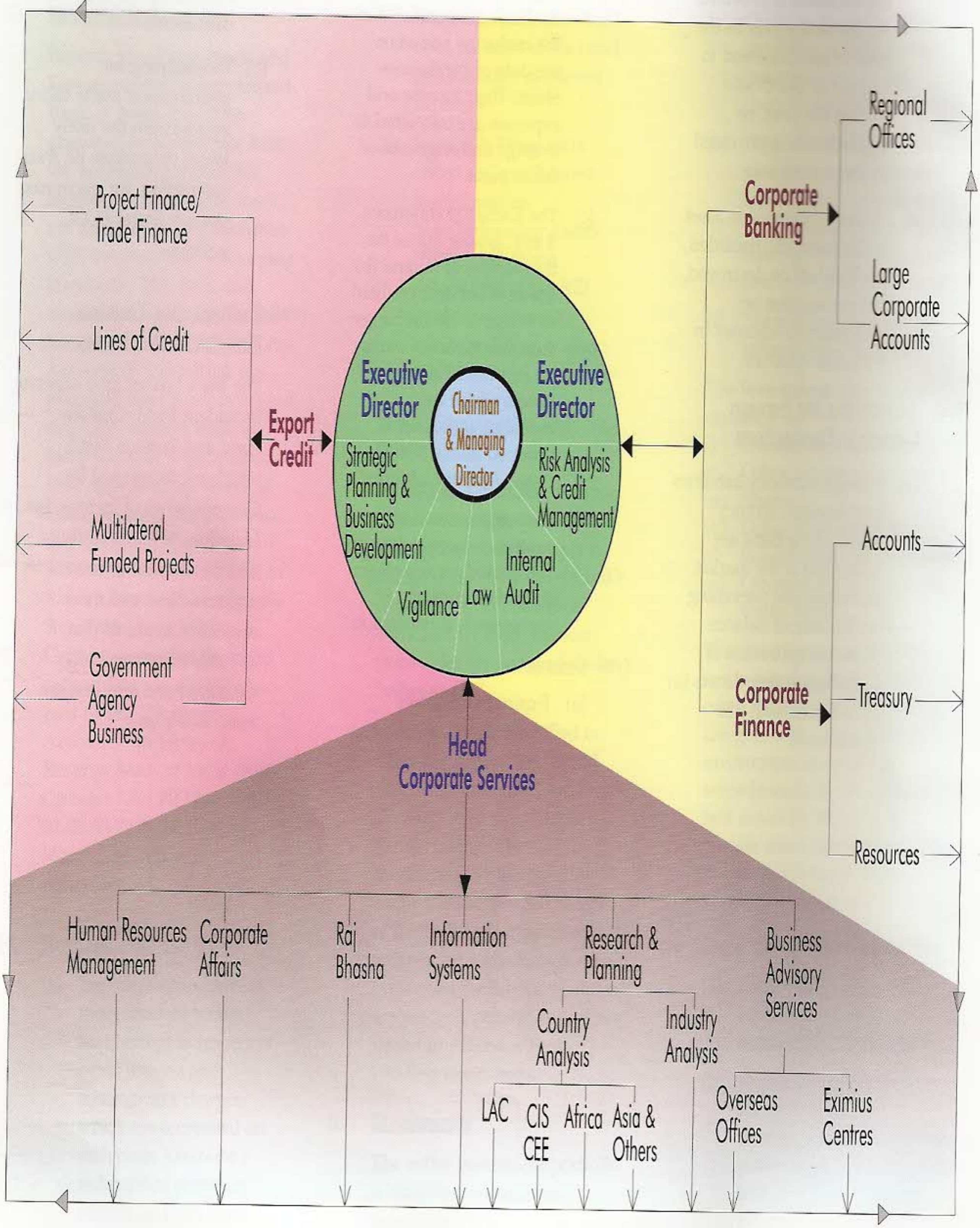
(a) Expired guarantees are included as Contingent Liabilities till return and cancellation of original documents.

(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.

Organisation



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
Strategic Planning &
Business Development

A. M. Sonmale
Risk Analysis &
Credit Management

Ms. H. S. Advani
Corporate Banking

S. Sarkar
Corporate Banking

D. G. Prasad
Agri Business

N. Shankar
Corporate Finance

P. R. Dalal
Lines of Credit

N. E. Ookabhoy
Legal (Adviser)

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.
David Rasquinha
(upto August 16, 2004)

Washington D. C.
Tarun Sharma
(w.e.f. August 17, 2004)

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

Objectives

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

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

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