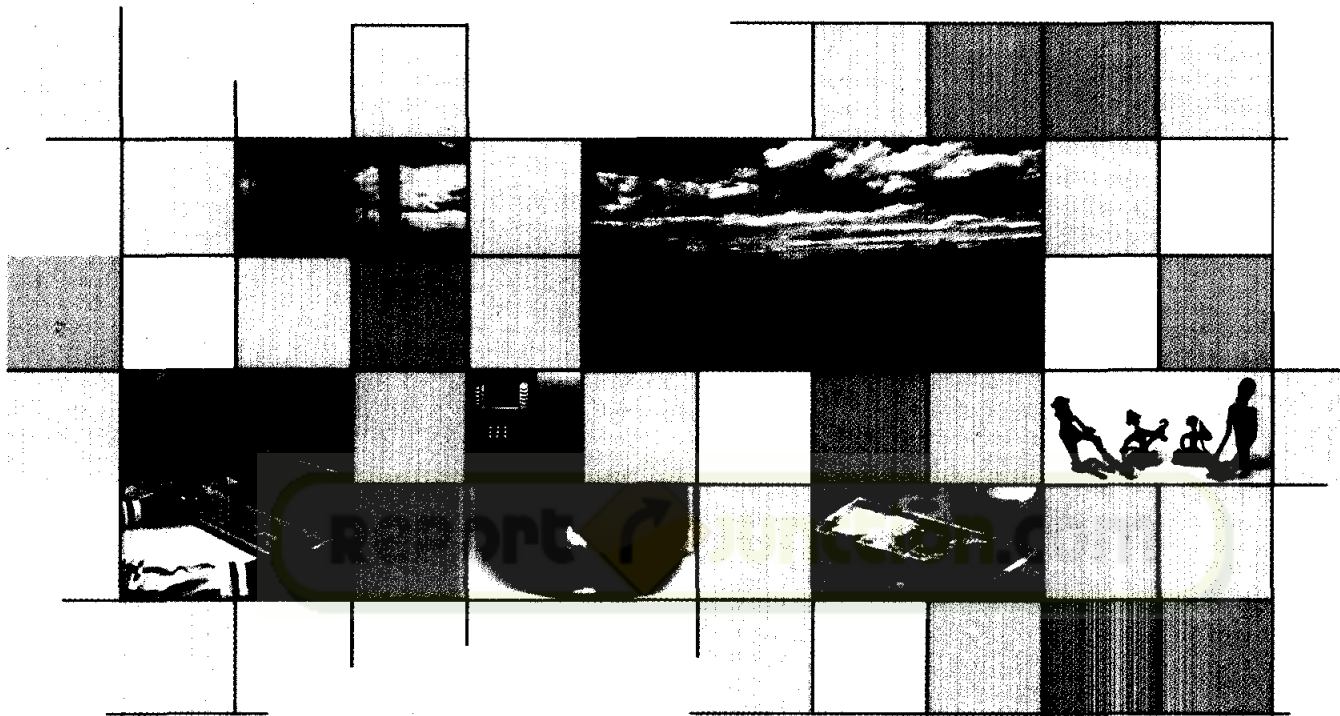


20TH ANNUAL REPORT 2001-02



**भारतीय निर्यात-आयात बैंक**  
**EXPORT-IMPORT BANK OF INDIA**



Free trade and globalisation have been the main engines of development since the industrial revolution. A major event in the history of global trade is the emergence of the World Trade Organisation (WTO) in the 1990s. The WTO hosts the institutional machinery for the establishment of a rule-based international trading system. It is the multilateral forum where the rules are drawn up, and mechanisms set in place to ensure compliance.

Trade in the WTO-era presents fresh opportunities and challenges. Given the unequal bargaining strength of trading nations, a multilateral forum such as the WTO offers a better opportunity for developing countries to air their concerns. By building a consensus among like-minded countries, developing countries can enhance their bargaining strength in the ongoing negotiations.

In the recent rounds of negotiations, more and more issues, such as trade and competition, trade and investment, transparency in government procurement and trade facilitation are being sought to be brought under the purview of the WTO. India therefore, needs to be in sync with the emerging global trade rules. Going one step further, it should take the initiative to push for liberalisation in areas where it has a comparative advantage. For

instance, the presence of a huge pool of skilled manpower gives India a comparative advantage in services, which it could exploit to the fullest in the negotiations on trade in services.

The latest round of trade negotiations have also yielded the strongest commitment so far on reducing agricultural subsidies. This opens up new opportunities for India's agro-products. In this regard, Exim Bank has recently launched a series of initiatives for the promotion of India's agro-exports. For instance, agro-products have been included for the first time in the list of items eligible for export finance under Exim Bank's Lines of Credit to overseas banks and financial institutions.

## Global Trade in the WTO Environment

With complete deregulation being one of the aims of the WTO, the domestic industry needs to gear up to face global competition. Exim Bank, as India's premier export finance institution, has over the years been playing an active role in creating export capability among Indian companies. The Bank has, in particular, played a key role in facilitating India's project exports. In the emerging global trade scenario, Exim Bank would continue to work closely with Indian industry to help them achieve global competitiveness and explore new markets.

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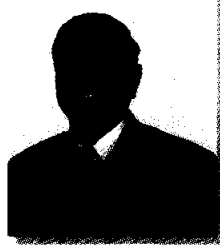
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## Board of Directors



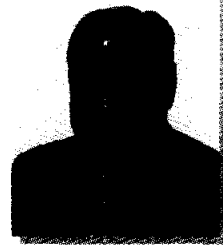
**Shri Dipak Chatterjee**  
*Secretary*  
Dept. of Commerce  
Ministry of Commerce & Industry



**Shri Shashank**  
*Secretary (ER)*  
Ministry of External Affairs



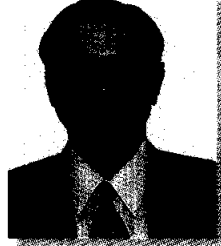
**Shri V. Govindarajan**  
*Secretary*  
Dept. of Industrial  
Policy & Promotion  
Ministry of Commerce & Industry



**Shri Shekhar Agarwal**  
*Joint Secretary*  
Banking Division  
Ministry of Finance



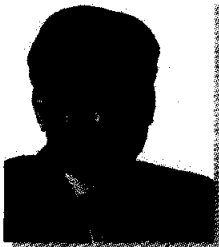
**Shri S.L. Parmar**  
*Executive Director*  
Reserve Bank of India



**Shri P.P. Vora**  
*Chairman & Managing Director*  
Industrial Development  
Bank of India



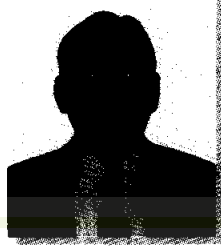
**Shri P.M.A. Hakeem**  
*Chairman-cum-Managing  
Director*  
Export Credit Guarantee  
Corporation of India Ltd.



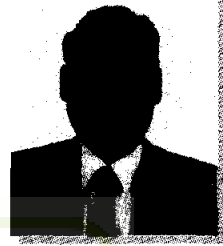
**Shri T.C. Venkat Subramanian**  
*Managing Director*  
Export-Import Bank of  
India



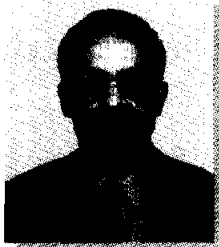
**Shri Janki Ballabh**  
*Chairman*  
State Bank of India



**Shri R.V. Shastri**  
*Chairman and Managing  
Director*  
Canara Bank



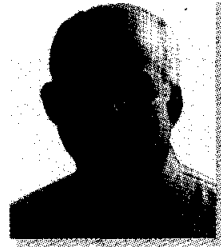
**Shri S.C. Basu**  
*Chairman and Managing  
Director*  
Bank of Maharashtra



**Dr. Pulin B. Nayak**  
*Professor*  
Delhi School of Economics



**Dr. S. Chandra**  
*Management Consultant*  
Pan Asian Management  
Foundation  
New Delhi



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



**Dr. Budhajirao R. Mulik**  
*Vice President*  
Asian Association of  
Agricultural Engineering  
Pune

## The Past Decade

(Rs in million)

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98#	1998-99#	1999-2000#	2000-01#	2001-02#	Cumulative (1992-2002)	Annual Average Growth %
<b>Business</b>												
Export Bids Approved	86370	144590	95880	72000	93219	121741	160826	160643	42880	n.a.	1050019	5
Commitments-in-Principle*	8900	1730	4101	1766	1076	7175	8562	14757	6878	n.a.	72847	42
Export Contracts Secured	12655	16769	17030	16030	23196	18946	33068	34440	18331	41620	242962	23
<b>Loans</b>												
Sanctions	15902	6508	29030	24657	12421	18406	18380	28318	21743	42407	229172	44
Disbursements	12956	8109	15561	21300	12566	13704	12707	17296	18964	34529	178765	20
Outstandings	18419	20337	25961	29302	34513	38248	42641	50833	56443	66102		15
<b>Guarantees</b>												
Commitments-in-Principle*	6018	7682	8700	9810	11388	12191	16743	22097	5230	10604	106984	16
Guarantees sanctioned	1268	1369	690	2027	1365	4024	2633	4404	2118	5450	20428	59
Guarantees issued	1043	1037	832	1731	1481	1912	2474	3017	1741	4164	16214	26
Guarantees outstanding	12134	7517	6836	9081	10215	12094	10553	11147	10740	11273		1
<b>Resources</b>												
Paid-up Capital	3356	3574	4403	5000	5000	5000	5000	5500	5500	6500		
Reserves	1819	2261	3119	3997	5445	7058	8352	9584	10664	12026		
Notes, Bonds & Debentures	5240	6498	6440	8861	9165	8267	12850	20944	22915	33158		
Deposits	—	1504	1620	1404	660	371	104	2617	2797	3416		
Other Borrowings	11034	10827	14431	13346	20352	21808	21285	20354	20255	16619		
Total Resources	26935	28916	36067	39694	49329	51201	56665	70264	73981	82734		
<b>Performance</b>												
Profit Before Tax (PBT)	467	580	788	1100	1516	2017	2400	2273	2047	2212	15400	21
Profit After Tax	467	580	788	1100	1516	2017	1650	1651	1541	1712	13022	
Dividend	120	140	160	200	310	410	330	350	380	420	2820	17
Staff (Numbers)@	112	112	104	116	126	136	147	150	154	163		
<b>Ratios</b>												
Capital Assets Ratio (%)**	19.2	20.2	20.9	22.7	21.2	23.1	23.6	21.5	21.8	22.4		
PBT on Capital (%)	14.8	16.7	19.8	23.4	30.3	40.3	48.0	43.3	37.2	36.9		
PBT on Capital and Reserves (%)	9.7	10.5	11.8	13.3	15.6	17.9	18.9	16.0	13.1	12.8		
PBT on Assets (%)	1.8	2.1	2.4	2.9	3.4	4.0	4.4	3.6	2.8	2.8		
PBT per Employee	3.96	5.18	7.30	10.00	12.53	15.39	16.96	15.31	13.47	13.96		

\* Commitments-in-principle refer to the extent of financial assistance committed by Exim Bank at the bid submission stage. Such commitments convert into sanctions when bids materialise as contracts.

\*\* Capital Assets Ratio is Capital and Reserves as a % of Assets at year end. Other ratios are based on average values for the year.

# Loans and advances considered net of claims settled by ECGC.

@ Number of permanent employees.

Note: Data pertains to General Fund.

## Economic Environment

### GLOBAL ECONOMY

Global output registered a growth of 2.5 per cent during 2001, as compared with 4.7 per cent registered during the previous year. Reflecting deterioration in confidence and financing conditions, particularly in emerging markets, all the major regions of the world registered subdued activity. GDP growth in the advanced economies slowed down from 3.9 per cent in 2000 to 1.2 per cent in 2001, while developing countries also registered a lower growth of 4.0 per cent in 2001 compared with 5.7 per cent during 2000.

In the US, significant weakening in business investment, rapid depletion of inventories and reduced consumer demand and spending in

the aftermath of the September 11 events led to a sharp slowdown in activity. As a result, real GDP grew by 1.2 per cent in 2001, down from 4.1 per cent in 2000. Nevertheless, significant macroeconomic stimuli, including reduction in interest rates and easing of fiscal policy, would contribute to strengthening of recovery in 2002. In Canada, real GDP growth also slowed down to 1.5 per cent in 2001 from 4.4 per cent in 2000, reflecting mainly the developments in the US.

In the Euro area, the slowdown in growth since mid-2000 continued and spread more widely during 2001. Real GDP growth slowed down to 1.5 per cent in 2001 from that of 3.4 per cent during the previous year. The weakening of

domestic demand, downturns in equity markets and in the technology sector, and weakening employment growth in some countries had impacted overall economic activity. In Germany, real GDP growth slowed down to 0.6 per cent in 2001 from a growth of 3.0 per cent in 2000. In Italy, GDP growth at 1.8 per cent during 2001 was lower than the 2.9 per cent growth registered during the previous year. In France, GDP growth slowed down to 2.0 per cent in 2001 from 3.6 per cent during the previous year due to weakened consumer and business confidence, and rise in unemployment. Outside the Euro Area, economic activity and domestic demand in the UK, buoyed by strong private consumption growth and budgeted increases in government spending, showed greater resilience to the global downturn. Real GDP registered a growth of 2.2 per cent in 2001 as compared to 3.0 per cent during the previous year.

In Japan, economic conditions continued to deteriorate with GDP registering a decline of 0.4 per cent in 2001, from a growth of 2.2 per cent in 2000. Despite the adoption of the new monetary framework in March 2001, private consumption remains weak reflecting declining incomes, and concerns about rising unemployment and future corporate restructuring.



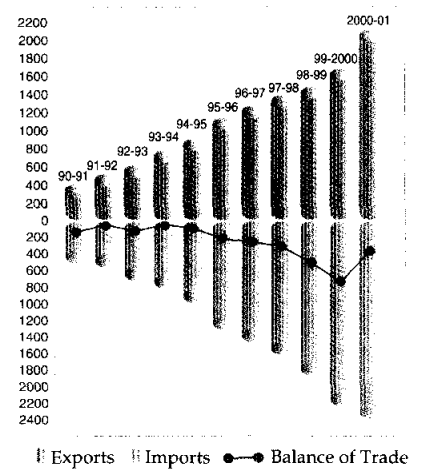
*Dr. Per Pinstrup-Andersen, Director General, International Food Policy Research Institute, Washington D.C., delivered the Annual Commencement Day Lecture 2002. Dr. M. S. Gill, former Union Agriculture Secretary and former Chief Election Commissioner presided.*

In Asia, the global slowdown, especially in the high technology sector, and weakening growth in Japan affected economic activity during 2001. The four newly industrialised economies (Hong Kong, Singapore, Taiwan and Korea) and Malaysia registered the steepest slowdown in the region, due to sharp decline in exports and in industrial production. GDP declined by 1.9 per cent and 2.1 per cent in Taiwan and Singapore during 2001 as compared to growth of 5.9 per cent and 10.3 per cent, respectively, during the previous year. In Korea, Hong Kong and Malaysia, GDP growth slowed down sharply to 3.0 per cent, 0.1 per cent and 0.4 per cent in 2001, from that of 9.3 per cent, 10.5 per cent and 8.3 per cent, respectively, in 2000. Both Indonesia and Thailand also registered lower growth during 2001. In contrast, economic activity in China remained relatively robust with a GDP growth rate of 7.3 per cent in 2001 as

compared to 8.0 per cent registered in 2000. The strength of export demand, particularly the pace of recovery in technology sectors, would determine much of the prospects for countries in the region.

In Africa, overall GDP registered a growth of 3.7 per cent in 2001 as compared to 3.0 per cent in 2000. Despite the many challenges facing Africa, considerable progress has been achieved through improved macroeconomic management and continued structural progress in countries such as South Africa, Mauritius, Botswana, Cameroon, Ghana, Tanzania and Uganda. In contrast, ineffective policy performance, often combined with political uncertainty and conflict has severely affected prospects for sustained growth and reduction in poverty in countries such as Zimbabwe, Sierra Leone and Cote d'Ivoire. South Africa registered a real GDP growth of 2.2 per cent in

**Trends in India's Foreign Trade**  
(Rs. in billion)



2001 as compared to 3.4 per cent during the previous year, with sound macroeconomic policies having reduced the country's vulnerability to external shocks. In Morocco, real GDP registered a growth of 6.3 per cent in 2001 as compared to 2.4 per cent in 2000, reflecting the rebound in activity after the severe drought, while in Algeria economic growth was relatively well sustained at around 3.5 per cent in 2001. Marked improvement in fiscal and monetary discipline and enhanced macroeconomic stability in Ghana boosted real GDP growth from 3.7 per cent in 2000 to 4.0 per cent in 2001.

Economic activity in the Middle East has been constrained by recent developments in oil markets. In Iran, strong growth in non-oil activities largely offset the constraints imposed by OPEC production limits, with real GDP registering a growth



Presentation of Exim Bank's International Economic Research Award 2001 to Dr. Sajjid Chinoy, by Dr. Shankar Acharya, Chief Economic Advisor, Ministry of Finance.

of 5.1 per cent in 2001 as compared to a growth of 4.9 per cent in 2000. In Saudi Arabia, growth slowed down to 2.2 per cent in 2001 from that of 4.5 per cent in the previous year. In Egypt, real GDP growth eased to 3.3 per cent in 2001, from a growth of 5.1 per cent in 2000, reflecting slowing of credit expansion and increased security concerns which impacted the tourism sector.

Economic activity in the developing countries of the Western Hemisphere has been dominated by the financial crisis in Argentina, where deteriorating economic situation and outlook has increased financial market concerns about the sustainability of fiscal, exchange rate and financial arrangements. In January 2002, Argentina devalued its currency, bringing to an end the decade old convertibility regime. As a result of these adverse

developments, coupled with sharp decline in production, spending and confidence, real GDP in Argentina registered a further decline of 3.7 per cent in 2001 as compared to a decline of 0.8 per cent during 2000. In Brazil, reflecting the energy crisis and contagion from Argentina, real GDP growth slowed down to 1.5 per cent in 2001, from a growth of 4.4 per cent in 2000. Mexico's economy suffered a sharp slowdown due to developments in the US, global slowdown and stagnant domestic output. Real GDP declined by 0.3 per cent in 2001, from a growth of 6.6 per cent during the previous year.

In the CIS countries, real GDP registered a growth of 6.2 per cent in 2001 as compared to 8.3 per cent registered in the previous year. The strength of activity in Russia, with GDP growth of 5.0 per cent in 2001,

contributed to firm growth in other countries of the region such as Ukraine. Real GDP growth rose to 9.1 per cent in 2001 from that of 5.9 per cent in 2000 in Ukraine. Long term growth for the region would hinge on reinvigorating the structural growth process, particularly on institution building and governance, enterprise restructuring, and transformation of the role of the state.

#### **World Trade**

Reflecting the slowdown in global economic activity and demand in most regions, the volume growth of world trade slowed down sharply from 12.8 per cent in 2000 to a decline of 0.7 per cent in 2001. Both industrialised and developing countries registered significant slowdown in import demand. In the case of industrialised countries, the volume of import registered a decline of 2.0 per cent in 2001 from the growth of 11.9 per cent during 2000, while the developing countries showed a sharp slowdown in growth of import volume from 16.5 per cent in 2000 to 1.8 per cent during 2001.

Among the developing countries, all the major regions registered sharp slowdown in import demand. The imports of Asia, in volume terms, registered a sharp slowdown from 23.7 per cent during 2000 to 3.1 per cent in 2001. Import demand



*Signing of Line of Credit agreement with Mr. L. Enrique Garcia, Executive President, Corporación Andina de Fomento (CAF), in the presence of Shri Murasoli Maran, Union Minister for Commerce & Industry, at Caracas, Venezuela for promoting Indian exports to Andean region countries in South America.*

in the Western Hemisphere also underwent a sharp slow down, where volume of imports slow down from a growth of 11.6 per cent in 2000 to 1.3 per cent in 2001. In the case of Africa, however, volume growth of imports was 3.9 per cent in 2001 as compared to 4.3 per cent growth registered during 2000.

In the advanced economies, the sharp contraction in imports was spread across the major countries. In the US, import growth in volume terms registered a decline of 2.7 per cent in 2001 as compared to a robust growth of 13.4 per cent during 2000. In the Euro area, import growth in volume terms slowed down from 11.1 per cent in 2000 to 0.7 per cent in 2001. In the UK, volume of imports registered a lower growth of 2.8 per cent in 2001 as compared

to growth of 10.9 per cent in 2000. In Japan, import demand fell substantially, with import volume registering a decline of 0.4 per cent in 2001 as compared to a growth of 9.6 per cent registered during the previous year.

As regards exports, developing countries in Africa and Asia registered subdued growth of 2.5 per cent and 2.1 per cent respectively in export volume during 2001 as compared to growth of 5.5 per cent and 22.8 per cent respectively during 2000. In the case of developing countries in the Western Hemisphere, export volume registered a growth of 3.8 per cent during 2001 as compared to that of 11.3 per cent in the previous year. Among the advanced economies, export volume declined by 4.6 per

cent and 6.5 per cent in the United States and Japan respectively, during 2001, while the Euro Area registered a slowdown in growth of export volume to 2.5 per cent in 2001 from that of 12.3 per cent registered during the previous year.

In terms of dollar values, world merchandise exports registered a decline of 4.3 per cent to US\$ 5985.0 bn. during 2001, as compared to a rise of 12.8 per cent during the previous year. The contraction in global merchandise trade during 2001 reflected the deterioration in world commodity prices. Prices of manufactures registered a continued decline of 2.4 per cent in 2001 as compared to a steeper decline of 5.1 per cent during 2000. Prices of non-fuel primary commodities also fell by 5.5 per cent during 2001, as compared to a rise of 1.8 per cent during the previous year. In the case of oil, global prices suffered a steep decline of 14.0 per cent during 2001, in contrast to the sharp rise of 57.0 per cent during the previous year.



*Signing of Line of Credit agreement with Dr. (Ms) Marta Lucia Ramirez de Rincon, Minister of Foreign Trade, Colombia, for Banco de Comercio Exterior de Colombia, S.A. (Bancoldex), in the presence of Union Minister of State for External Affairs, Shri Omar Abdullah, at Bogota, Colombia for promoting Indian exports to Colombia.*

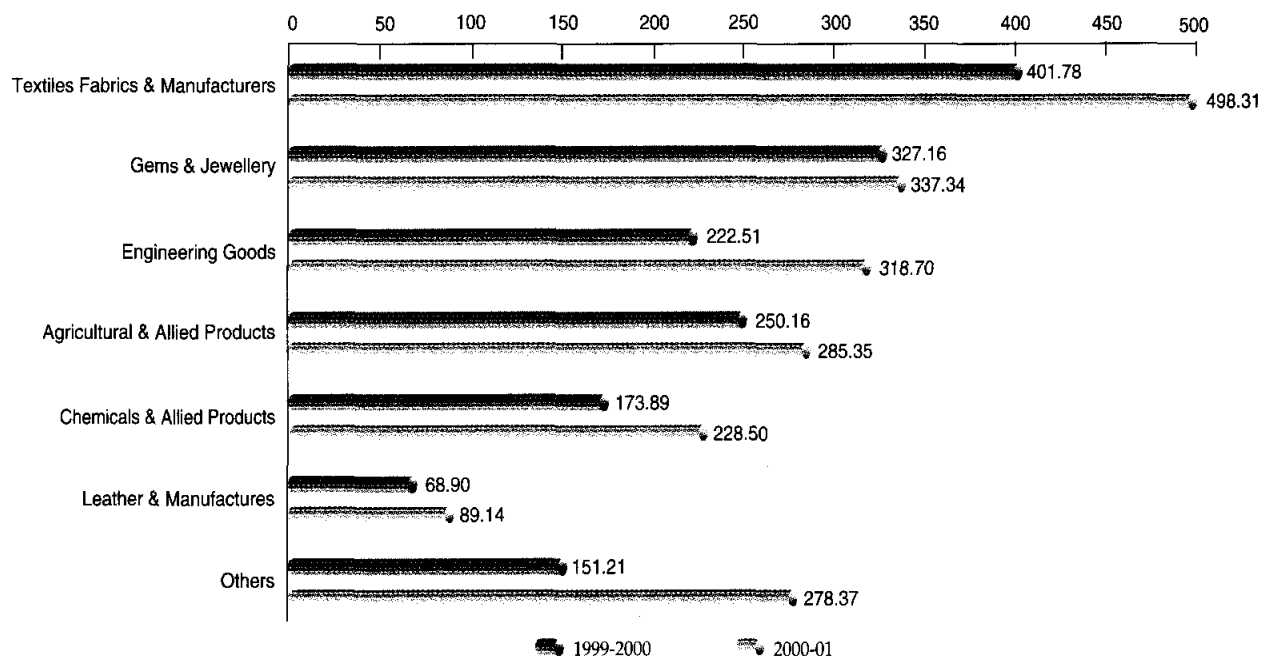
#### *Private Capital Flows, Current Account Balances and External Debt*

Net private capital flows to emerging market economies fell to US\$ 131.9 bn. in 2001 from US\$ 173.1 bn. during the previous year, which can be attributed to the global slowdown, and heightened uncertainty surrounding developments in Argentina and Turkey.



### Composition of India's Exports

(Rs. in billion)



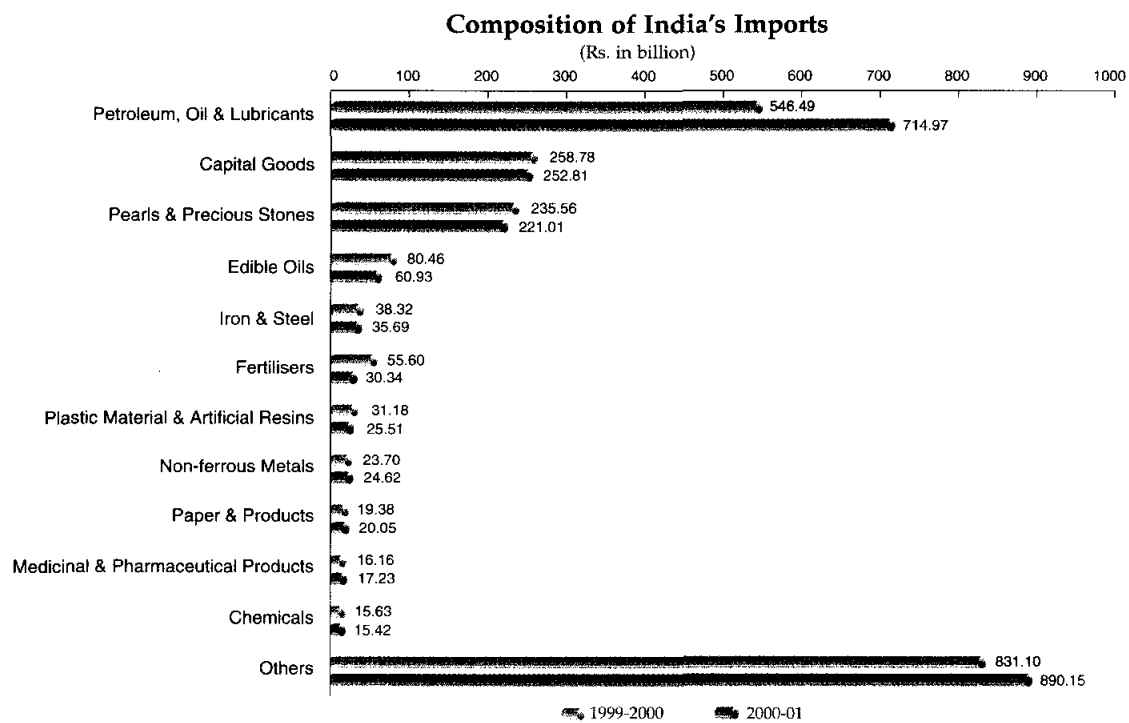
Emerging market economies in Europe accounted for bulk of the decline in capital flows in 2001. Net private capital flows to these countries declined from US\$ 40.2 bn. in 2000 to US\$ 16.7 bn. in 2001. The five Asian economies, viz. Korea, Indonesia, Malaysia, Thailand and Philippines registered a lower net inflow of US\$ 2.7 bn. during 2001 as compared to that of US\$ 10.8 bn. during the previous year. Net private capital flows to Latin American region registered continued decline from US\$ 69.1 bn. in 1999 to US\$ 57.5 bn. in 2000, and further to US\$ 45.2 bn. in 2001, while capital flows to emerging markets in Asia and Pacific region moderated to US\$ 60.8 bn. in 2001 from that of US\$ 70.5 bn. during the previous year. In the case of Africa and

Middle East, on the other hand, net private capital flows increased from US\$ 5.0 bn. in 2000 to US\$ 9.1 bn. in 2001.

During 2001, the combined current account balance of the emerging market economies amounted to a surplus of US\$ 26.0 bn., representing a contraction from the surplus of US\$ 48.6 bn. during the previous year. This, in turn, can be attributed to the reduction in the current account surplus of countries in Asia and Pacific region, which declined from US\$ 65.0 bn. in 2000 to US\$ 49.0 bn. during 2001. Further, the current account deficit of countries in Latin America widened from US\$ 40.3 bn. to US\$ 46.6 bn. during the same period. For countries in Africa and Middle East,

the current account surplus registered a fall to US\$ 4.9 bn. in 2001 from that of US\$ 6.1 bn. during the previous year, while the current account surplus for emerging markets in Europe rose from US\$ 17.8 bn. in 2000 to US\$ 18.7 bn. in 2001.

External debt, as a proportion of exports of goods and services, for developing countries increased marginally from 142.5 per cent in 2000 to 144.5 per cent in 2001. For developing countries in the Western Hemisphere, external debt, as a proportion of exports of goods and services, was the highest amongst the developing countries at 213.0 per cent during 2001, followed by Africa (185.3 per cent), Middle East (154.2 per cent), and Asia (96.8 per cent). Debt service payments for



developing countries stood at 23.2 per cent in 2001 as compared to 22.7 per cent during the previous year.

#### **Indian Economy**

During 2001-02\*, growth in India's GDP is estimated at 5.4 per cent, which is higher than the growth of 4.0 per cent registered during the previous year. The major factor leading to higher GDP growth has been the significant improvement in value added in the agriculture and allied sectors.

#### **Agriculture and Industry**

Overall agricultural production is estimated to have increased by 5.7 per cent in 2001-02 compared with a decline of 0.2 per cent during the previous year. Foodgrains production is expected to rise to

209 mn. tonnes in 2001-02 from the previous year's level of 196 mn. tonnes.

Industrial production registered a lower growth rate of 2.7 per cent during 2001-02 as compared to 5.0 per cent growth during the previous year. This overall slowdown was due to high real interest rates, infrastructure constraints in power and transport, lags in corporate restructuring and lack of both consumer and investment demand. The manufacturing sector recorded a growth of 2.7 per cent during 2001-02, as compared to 5.3 per cent growth in the previous year. The electricity sector also grew at a lower pace of 3.1 per cent during 2001-02, while the mining sector fared worse with a growth rate of 1.8 per cent during

the same period. According to the use-based classification, during 2001-02, the consumer durables sector registered the highest growth of 11.6 per cent followed by consumer non-durables goods sector (3.8 per cent), basic goods sector (2.8 per cent) and the intermediate goods sector (1.5 per cent). The capital goods sector registered a negative growth of 4.0 per cent during 2001-02 as compared to a growth of 1.8 per cent during 2000-01.

Of the 17 sub-sectors within the manufacturing sector, two sectors registered growth rates exceeding 10 per cent during 2001-02. These are the beverages, tobacco and related products sector; and rubber, plastic,

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