The Environment for Borrowing Abroad by Indian Companies

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Table of Contents

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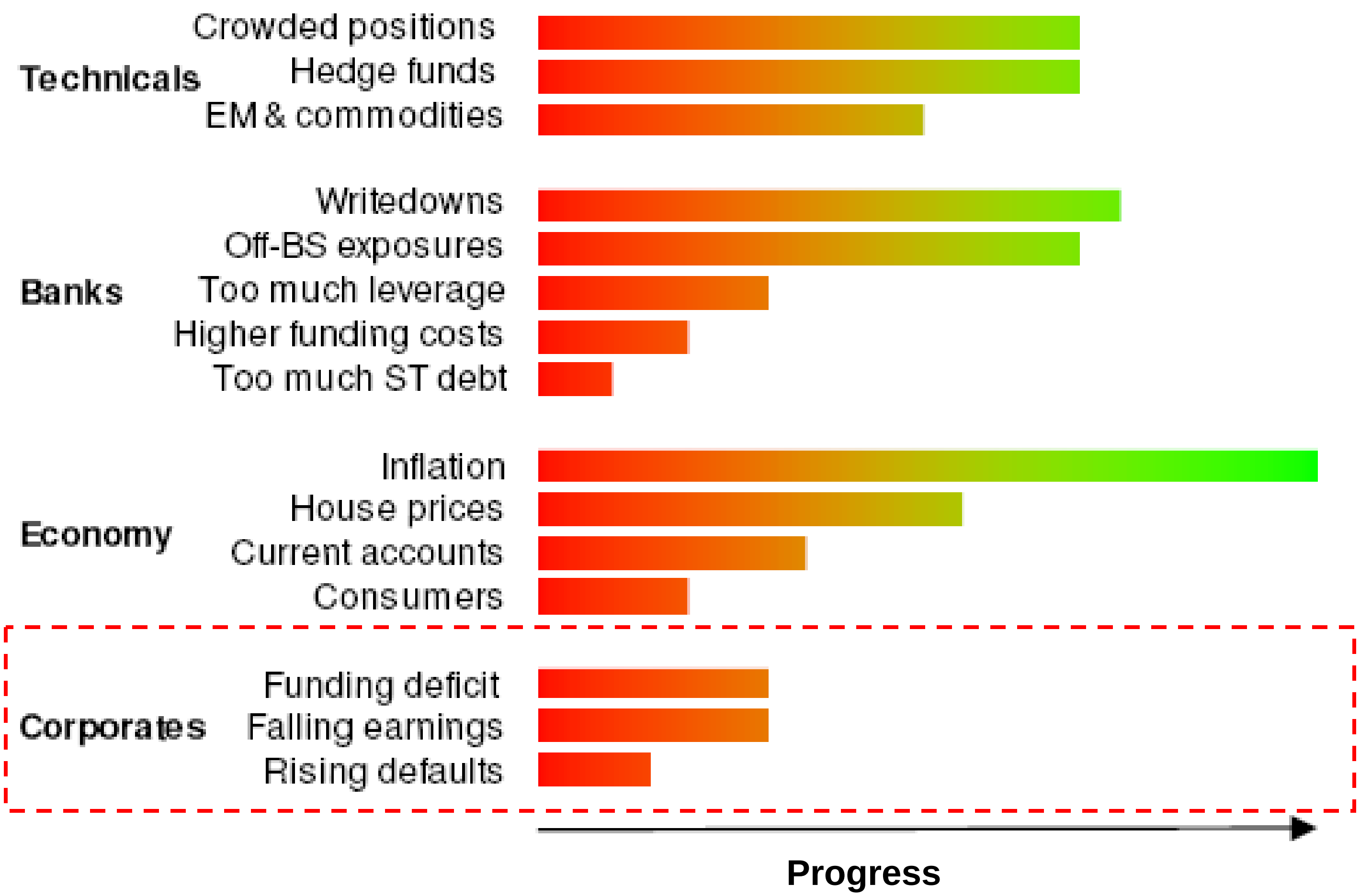
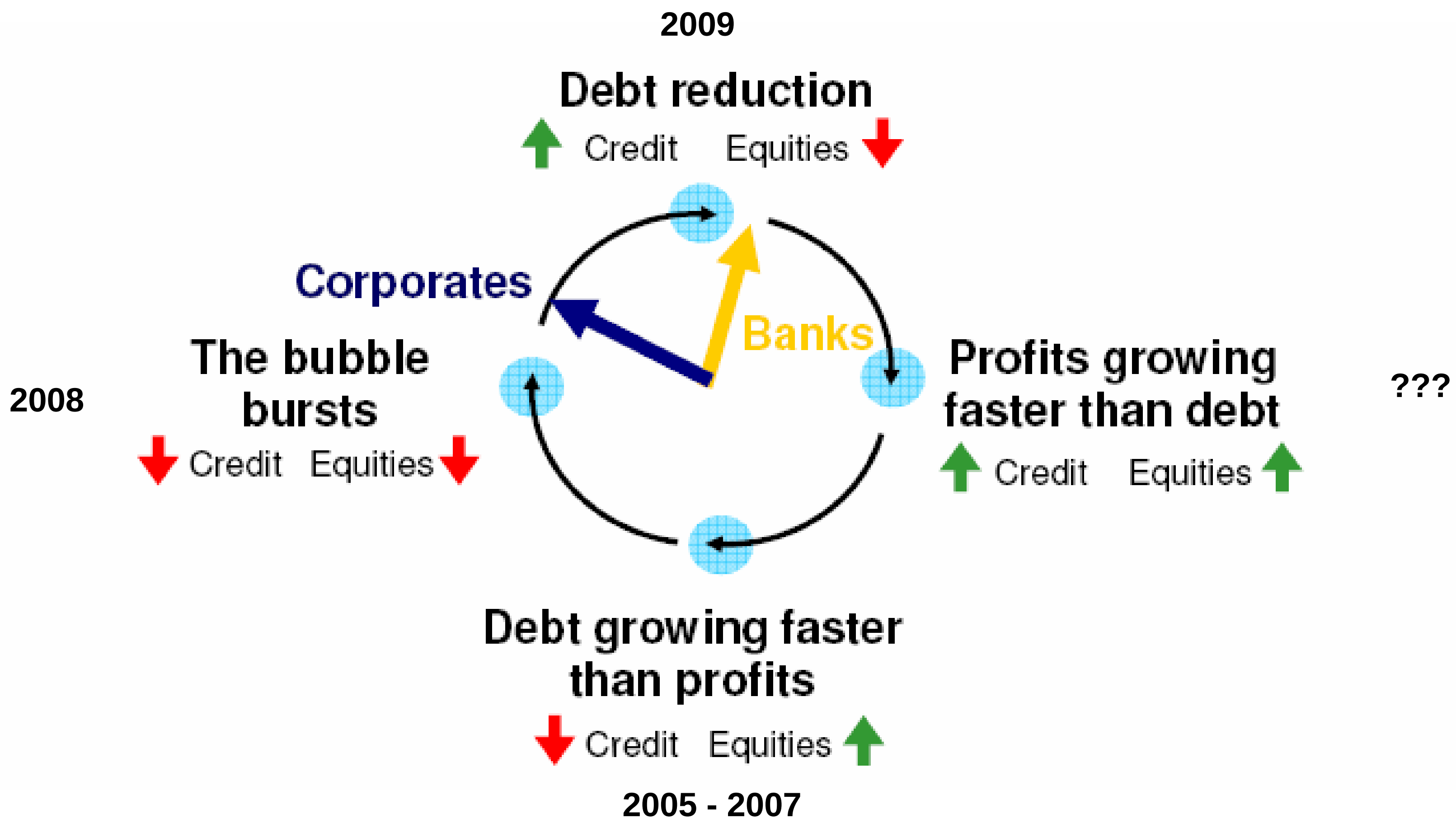
1. Market Backdrop

Global Economy Facing A Long List of Problems…



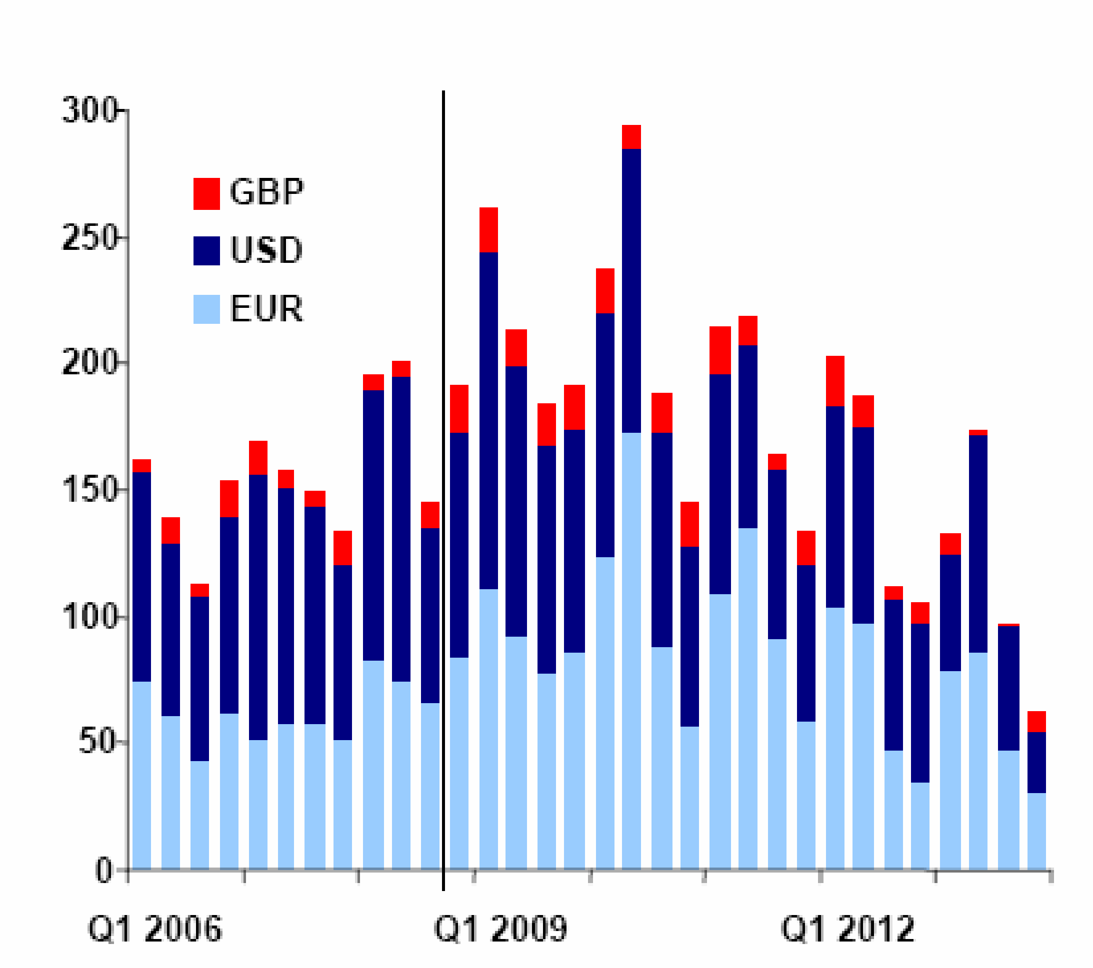
2009: More Fundamental than Technical

Banks Will Have to De-leverage More…



$200 Bln/Qtr of Financial Redemptions Globally…

Global Financial Redemptions (Amount, $ bn)

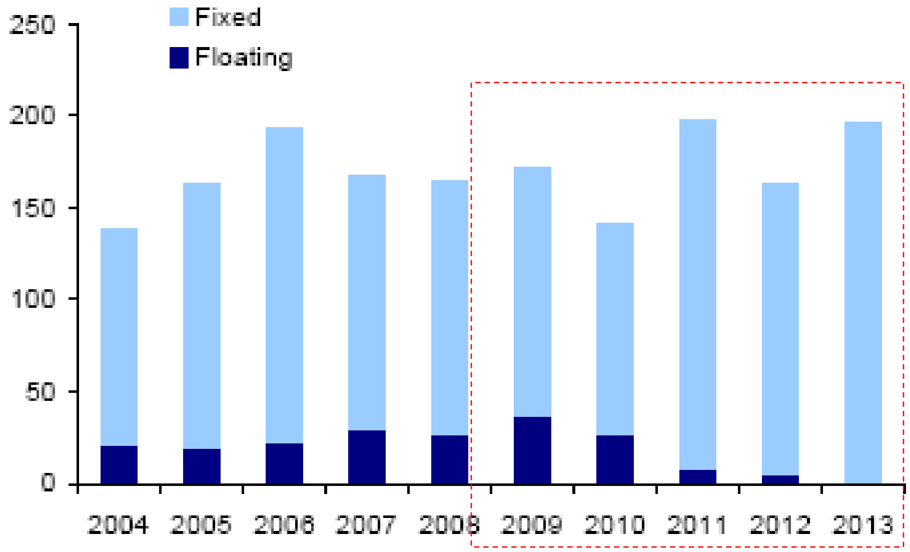


Source: Dealogic

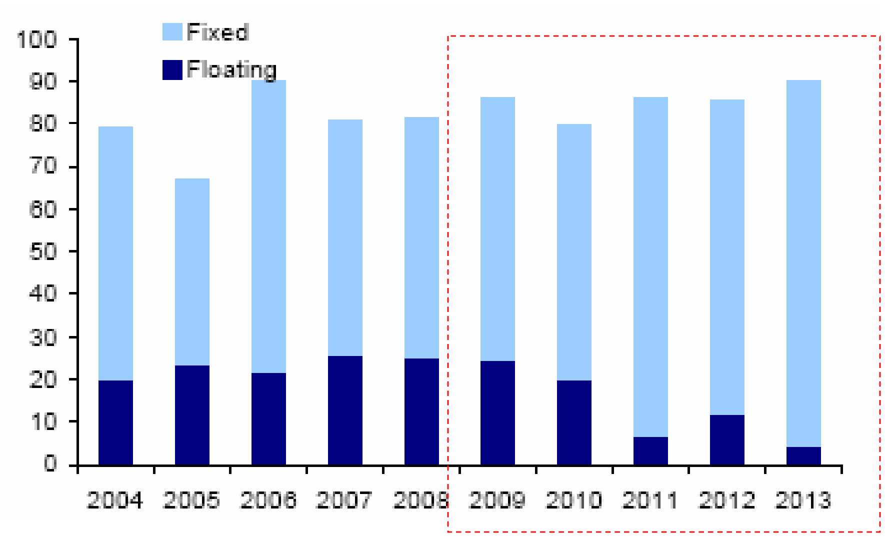
…Coupled with Significant Corporate Redemptions

Annual Corporate Redemptions Across USD & Euro

Volume, US$ in billion



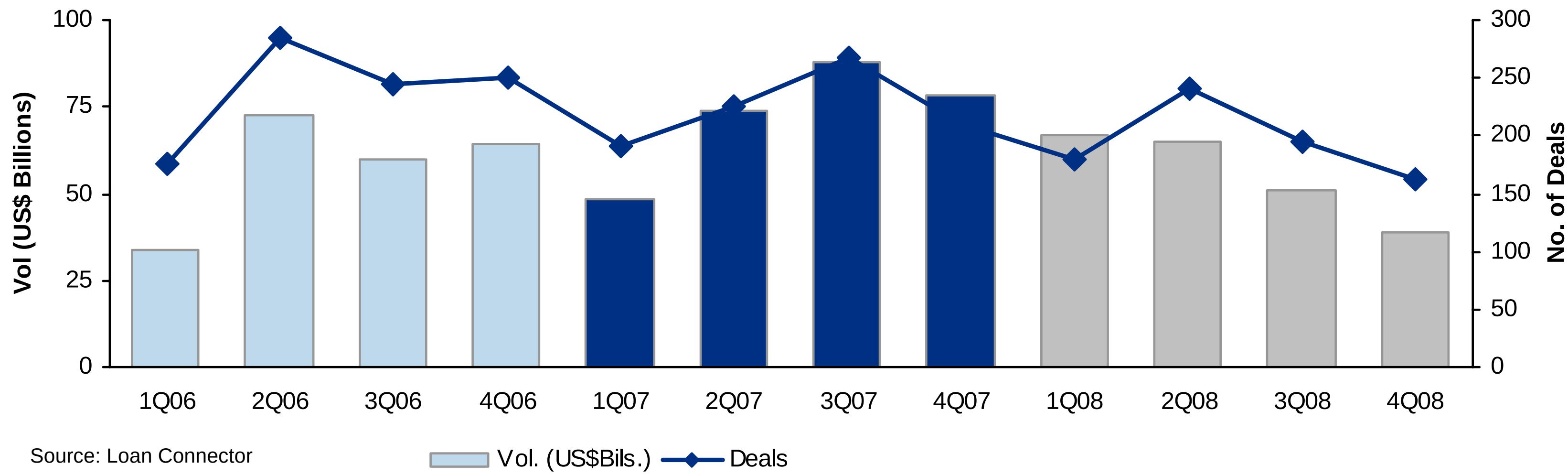
Volume, € in billion



Source: DCM Analytics, Citi

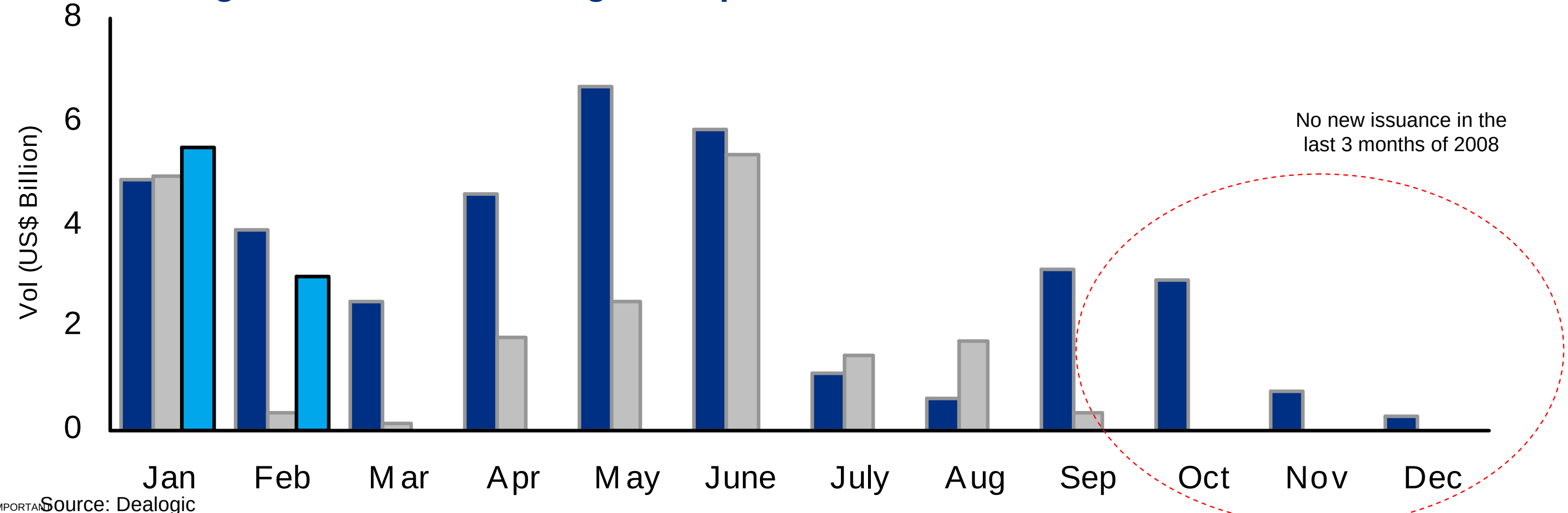
Credit Dislocation Caught up With Asia…

Asia Pacific Loan Volumes Witnessed Significant Slowdown



Source: Loan Connector

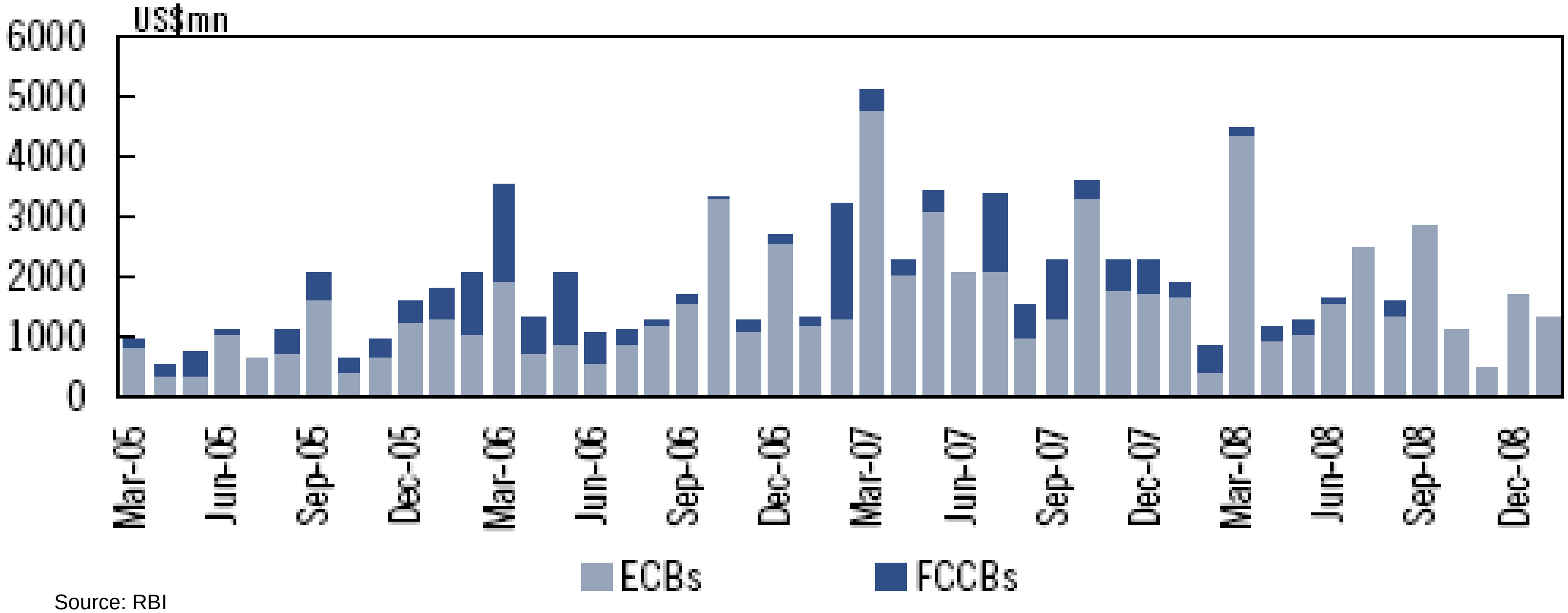
G3 bonds resurged in 2009 after a long silent period



Source: Dealogic

…Hitting India Inc. Offshore Fund Raisings…

Trends in ECBs and FCCBs Flows

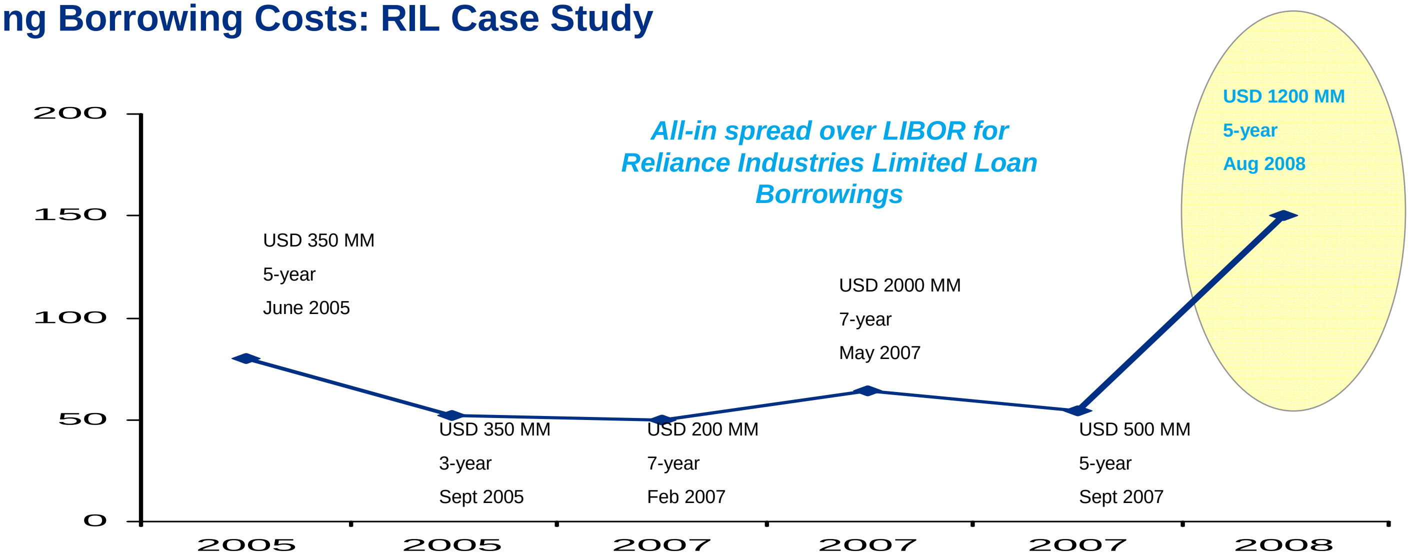


Source: RBI

- Flows slowed down
  - **US$15.6bn in Apr - Jan FY09** from US$20.1bn in the same period last year
- FCCB market is virtually shut
- Restrictions such as tenor and pricing caps increase lead times

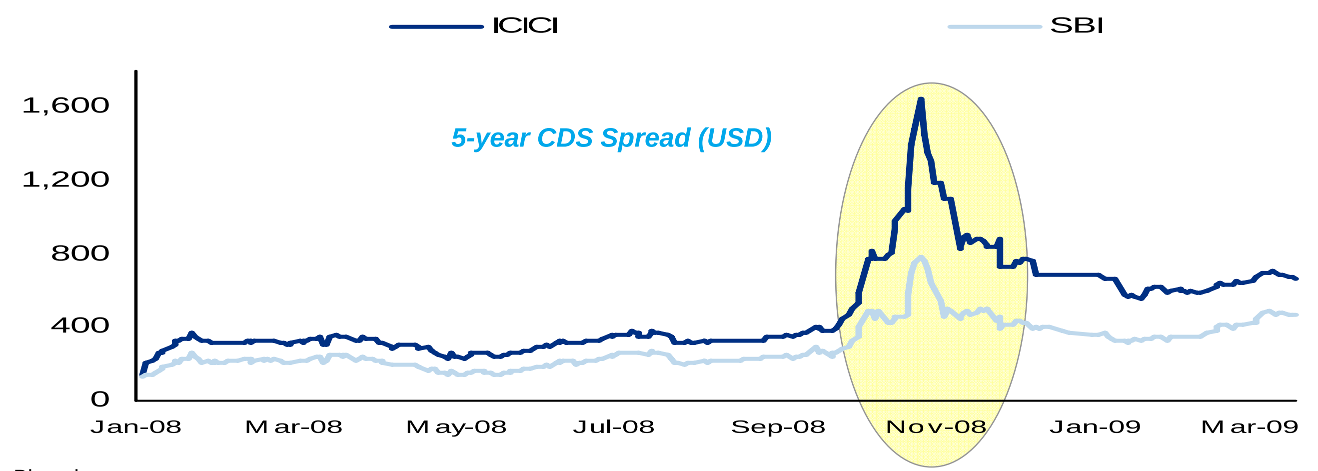
…Not Only Increasing The Borrowing Costs…

Rising Borrowing Costs: RIL Case Study



Source: Reuters Loan Connector

Widening of CDS Levels: Indian Banks



Source: Bloomberg

…But Also Changing the Deal Dynamics

Indian Corporates "De-risked" Financing Through Relationship Banks

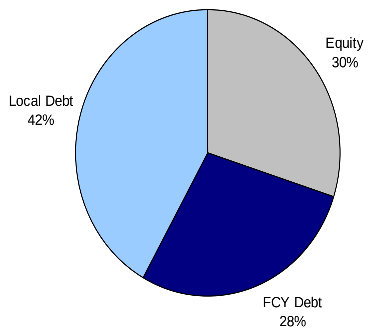
Borrower	Size (US$MM)	Launch	No. of MLAs	% Allocation to MLAs
HINDALCO ADITYA BIRLA GROUP	982	Sept 2008	**11**	100%
Reliance Industries Limited	1,200	July 2008	**19**	80.4%
vedanta resources plc	1,000	June 2008	**11**	73.5%
TATA TATA MOTORS	3,000	Feb 2008	**11**	87.0%

Source: Reuters Loan Connector

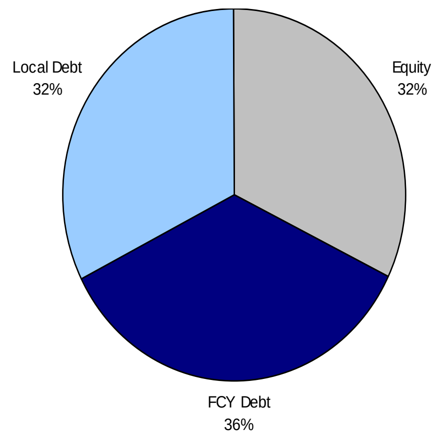
Thankfully…Local Debt Markets Continue to Support India Inc.

As global credit/markets froze, Issuers looked towards local markets…..

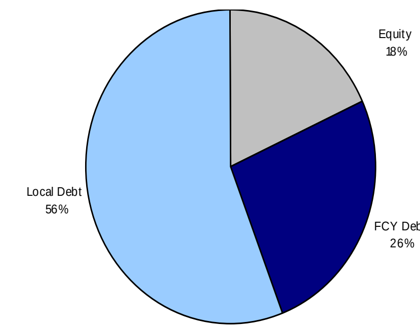
Year 2006 – US$ 63 Bn



Year 2007 – US$ 106 Bn



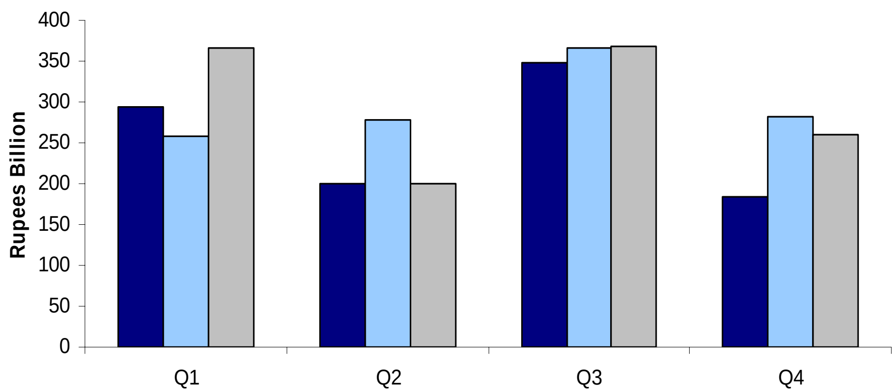
Year 2008 – US$ 75 Bn



INR Bond Volumes Held on…

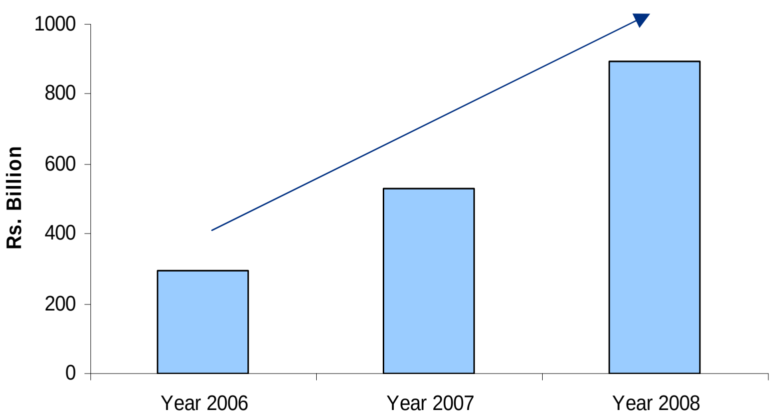
Total Volumes Raised

Year	Amount (INR Bn)
2008	1,200
2007	1,190
2006	1,029



Source: Bloomberg

While the Loan market continued to grow *



* Reported Syndicated Loan

Local Bond Market Underwent a Paradigm Shift

Primarily from an NBFC market → **To one dominated by Corporates**

Year 2006*

Borrower	Date	Size (Rs. MM)
CCFIL	May 2006	3,750
CCFIL	Aug 2006	2,500
CCFIL	Sep 2006	2,500
CCFIL	Apr 2006	2,000
DSP ML	Oct 2006	2,000

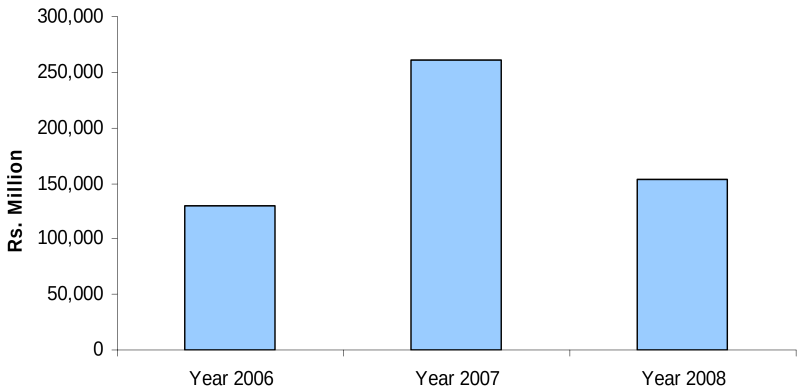
Year 2007*

Borrower	Date	Size (Rs. MM)
Tata Sons	July 2007	11,950
Tata Sons	Sep 2007	5,000
IDFC	Mar 2007	4,480
Tata Tea	Nov 2007	3,250
Tata Sons	Jul 2007	3,050

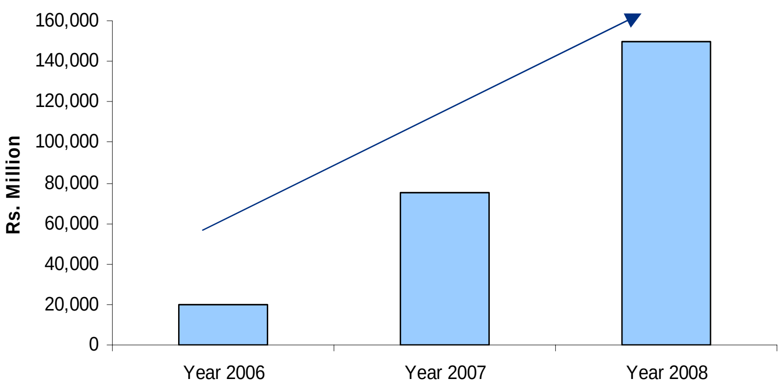
Year 2008*

Borrower	Date	Size (Rs. MM)
Reliance	Nov 2008	50,000
Tata Steel	May 2008	20,000
Tata Steel	Nov 2008	12,500
Reliance	Nov 2008	10,000
HDFC	Feb 2008	10,000

NBFC issuances reduced by nearly 50%



While private corporate issuance more than doubled



* Top 5 Deals of private corporates

Source: Bloomberg

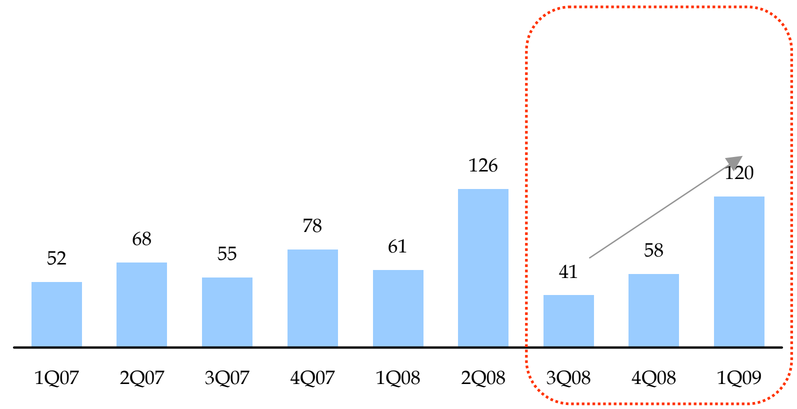
2009 – A Fresh Start?

Primary Bond Market is currently on fire in US & Europe…

- Strong Credits
- Defensive, Non-Cyclical Sectors
- Sovereigns
- Strategic M&A

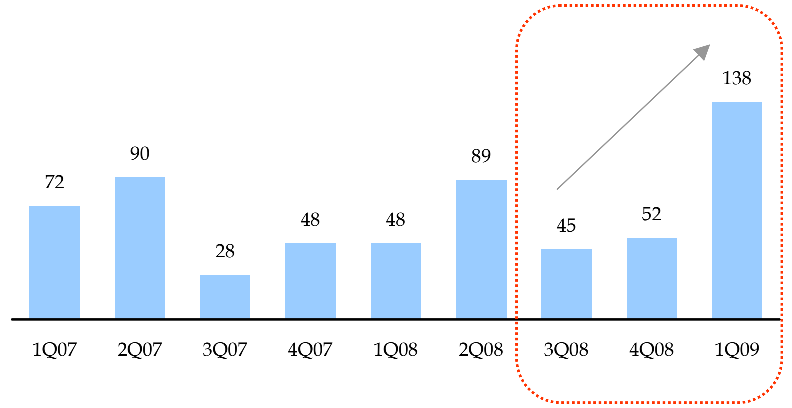
2007 – 2009YTD US$ Corporate Issuance

US$ billions



2007 – 2009YTD GBP and €uro Corporate Issuance

US$ billions



Source: Dealogic

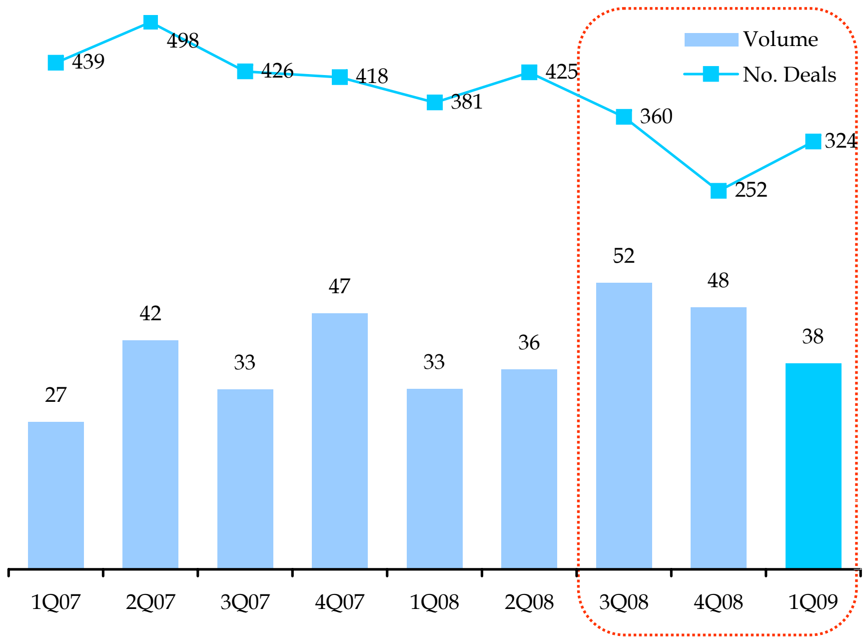
2009 – A Fresh Start? (cont'd)

Local liquidity providing comfort to Asian issuers

- Recent large benchmark issuance include
  - PTT THB7,450mm (~US$422mm)
  - San Miguel Php38.8bn (~US$800mm)
  - **ONGC INR52,500mm CP (~US$1,082mm)**

Asia Local Currency Debt Issuance (excl AU)

US$ billions



Source: Dealogic

Retail segment expected to be an emerging Investor class

Fixed Deposits	Tax Free Bonds to HNIs	Retail Bond Issuance

Fixed Deposits

Cos take FD route to raise funds

Offer Around 11% Return For Three-Year Fixed Deposits

MORE THE MERRIER

Interest rates offered*

	1 yr	2 yrs	3 yrs
HDFC	10	10	10 ^
HUDCO	10.75	10.5	10.25
Tata Motors	10	10.5	11
TV 18	11	11.5	12
M&M	0	0	8.5
NTPC	8	8.25	8.5
India Cements	7.50	8.00	8.50
Supreme Industries	9.75	10.00	10.25
Elder Pharma	8.50	10.00	11.50
Mukand	11.50	11.75	11.75 (%)

* Interest Rates for Non-cumulative Deposits ^ Rates for period till 35 months

SOURCE: ETIG Database SANDEEP

Tax Free Bonds to HNIs

Disclosure Document

(This is a Disclosure Document prepared in conformity with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular no. LAD-NRO/GN/2008/13/127878 dated June 06, 2008)

IIFCL India Infrastructure Finance Company Limited

(A Government of India Enterprise)

[Incorporated on 5th January, 2006 under the Companies Act, 1956 as a Company wholly owned by the Government of India, Notified as a Public Financial Institution under Section 4A of Companies Act, 1956]

Registered Office:
1201-1207, Naurang House,
21, Kasturba Gandhi Marg,
New Delhi – 110 001
Tel.: (011) 41531219, 23730269
Fax.: 91-11-23736355
Website : www.iifcl.org
E-mail : sanoriaarun@yahoo.co.in

DISCLOSURES UNDER SCHEDULE I OF SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008

Issue:

Private Placement of Unsecured, Tax Free, Non-Convertible Bonds in the form of promissory notes of the face value of Rs.1,00,000/- each, aggregating to Rs. 2,500 Cr. plus the option to retain over-subscription, if any*.

Company's Absolute Responsibility

IIFCL (the "Company") having made all reasonable inquiries, accepts responsibility for and confirms that the information contained in this Disclosure Document is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this Disclosure Document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

Rating:

ICRA has assigned a provisional long term rating of 'LAAA (SO)' (pronounced as L triple A (Structured obligation)) to IIFCL for Rs. 10,000 crore, subject to unconditional, irrevocable and continuing guarantee by the Government of India (GOI) for the timely repayment of the principal and the interest due thereon during the entire tenor of the Bonds. LAAA is the highest-credit-quality rating assigned by ICRA.

Page 1 of 41

Retail Bond Issuance

PROSPECTUS
January 21, 2009

TATA
TATA CAPITAL LIMITED

GENERAL RISK

ISSUER'S ABSOLUTE RESPONSIBILITY

CREDIT RATING

LISTING

LEAD MANAGERS TO THE ISSUE

REGISTRAR TO THE ISSUE

ICICI Securities | citi | DSP Merrill Lynch | KARVY

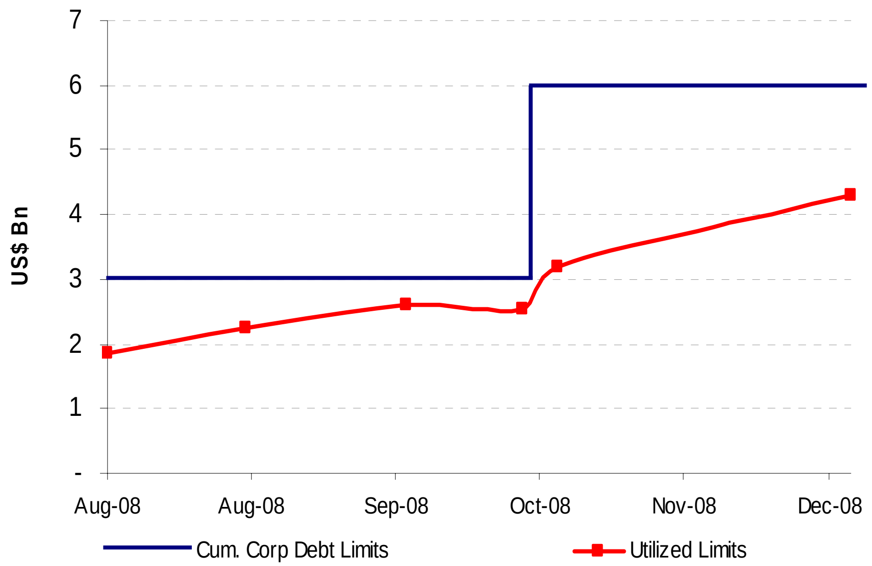
ISSUE PROGRAMME

ISSUE OPENS ON : FEBRUARY 2, 2009 | ISSUE CLOSES ON : FEBRUARY 24, 2009

- Last 3-4 months saw mobilization of fixed deposits increasing across Banks and Financial Institutions. Bank time deposit has witnessed rapid growth in this period
- LIC Jeevan Aastha collected ~ Rs. 8,000 crores through endowment policy at yield of 10.35% - 11.10% (pre tax)
- Tata Capital issuance received subscription for over Rs. 2500 crores from Retail and HNI investors
- IIFCL issuance collected around Rs. 1000 crores from HNIs despite the minimum application limit of Rs. 10 lacs

FIIs also expected to play a dominant role in near future…

Foreign Institutional Investors



Source: SEBI

- GOI increased the cumulative debt investment limit by USD 9 billion (from USD 6 billion to USD 15 billion) for FII investments in Corporate Debt in Jan 09
- Out of the USD 9 bn, limit of USD 8 bn were auctioned on 16th March through NSE. The remaining limit of USD 1bn were allocated on March 20th on first come first served basis subject to a ceiling of Rs.249 cr. per registered entity
- With the substantial increase in limits, FIIs currently at the periphery, are expected to play a more dominant role as the risk appetite returns
- FIIs are expected to overlay currency view to enhance returns

2. Roadmap for Indian Borrowers

Indian Borrowers – Impact of…

Global Conditions - Synchronisation not De-coupling

- Global credit contraction and de-leveraging to continue – though we are not in ‘sudden stop’
- Bank balance sheets (at an aggregate level) will continue to be stressed
- Competition for capital – sovereigns will be bigger issuers as well
- Default rates still to peak – recovery rate on bank loans have dropped
- CLO funds which were major buyers of secondary bank paper are effectively closed

Local Conditions – No longer immune

- Number of banks focused on Asia/India reducing because of mergers, sale of businesses etc.
- Wide secondary spreads impacting new deals
- Banks are getting more involved in restructurings – HO focus is on managing existing deals
- At an aggregate level, country risk for EM is higher

Indian Borrowers – Some Observations and Percepts

Manage for cash, survival and being fit

- Companies don't just fail because of a downturn; they fail because they don't have cash or liquidity
- Cash is king – focus on better asset utilization, managing working capital and deferring capex where possible
- Preparation is the key – 'what if' scenarios are assisting CFOs to recognize liquidity gaps ahead of time
- Renegotiation of covenants and restructuring ahead of time are going to ensure that the borrower survives further downturns

Diversify and be flexible

- Accept that capital-raising windows will continue to be volatile
- Diversify offshore investor base – India Inc. crowded themselves out with over-reliance on bank borrowings during 2005-2008
- Be prepared to access offshore capital markets – they will come back selectively in 2009 – longer-term source of capital
- ECAs are still lending – big opportunity
- Be flexible in raising liquidity - local vs offshore ; bonds vs loans
- Manage your lenders as you would your shareholders – perhaps more!

India Inc. Will Need to Move Away from Offshore Bank Reliance

Borrowing Options Available for Indian Corporates

	INR			FCY		
	Loan	Bond	CP	Loan	Bond	FCCB
Market	Very liquid Banks adding assets given Govt. push	Select investments by MFs, Banks & Insurance Companies	Short-tenor paper for select issuers/credit enhanced structures	Limited bank appetite Restricted to top-tier corporates	Only one corporate issuance from Asia this year Open for strong credits	Market conditions are not conducive
Pricing	11 – 12%	10 – 12%	8 – 9%	$Libor + 500 bps	UST+[700 - 900]	NA

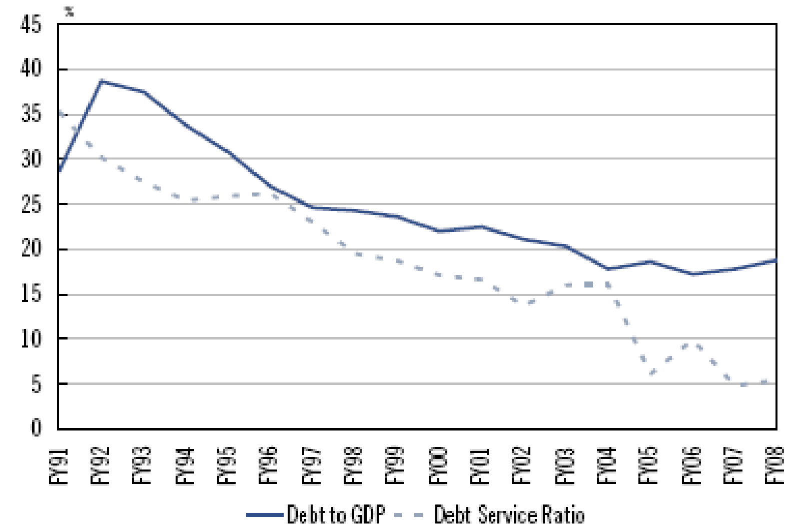
Thank You

- Questions?

Annexure 1. India's External Debt

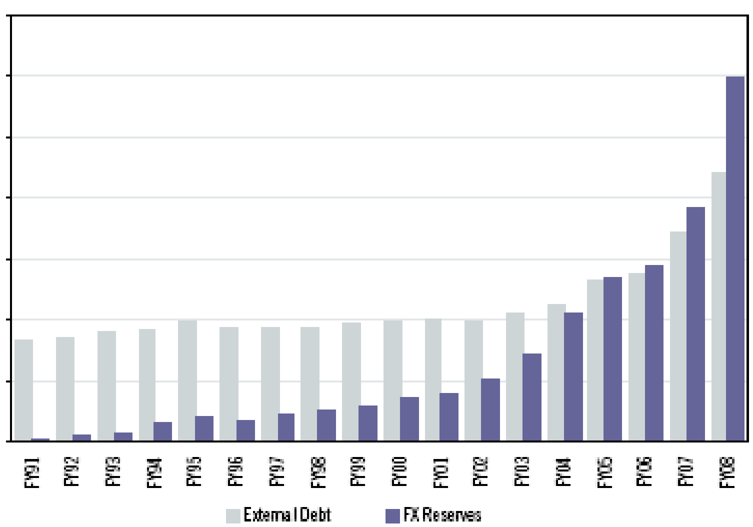
Sovereign India is Well Placed on External Debt

Debt/GDP: 18.0%



Source: Ministry of Finance, RBI

FX Res/Debt: 140%



Source: Ministry of Finance, RBI

Trends in External Debt by Residual Maturity (US$ bn)

		LONG TERM				
	<1 Yr	1-2 Yrs	2-3 Yrs	> 3 Yrs	Total	TOTAL
I Sovereign Debt	**2.90**	**3.13**	**3.05**	**45.13**	**51.35**	**54.20**
II Commercial Borrowings	**6.96**	**7.50**	**7.20**	**56.02**	**70.72**	**77.68**
III NRI Deposits (i+ii+iii)	**31.96**	**5.60**	**1.90**	**1.17**	**8.67**	**40.62**
i) FCNR (B)	9.99	2.51	0.81	0.19	3.52	13.50
ii) NR(E)RA	19.00	2.95	1.01	0.93	4.88	23.88
iii) NRO	2.97	0.14	0.08	0.05	0.27	3.24
IV Short-term Debt	**50.10**	-	-	-	-	**50.10**
i) Trade Credits	46.34	-	-	-	-	46.34
ii) FII Investment	1.69	-	-	-	-	1.69
iii) Investment in G-Secs by RBI	0.12	-	-	-	-	0.12
TOTAL	**91.92**	**16.23**	**12.15**	**102.32**	**130.74**	**222.61**

Source: RBI