"Funding Options

in

Europe & India"

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India and Europe

- Strong bilateral relationships exist between India and Europe, economically, politically and historically. India is developing a strong economic power and is one of the fastest growing economies in the world with a growth rate of between 6 and 8 %.

- In 2004 India became one of the EU's "strategic partners" and subsequently the Strategic Research and Development agreements between the two regions have been prevalent.

- Both regions face common challenges in the fields of science and technology and by working together, solutions and new ideas can be developed to tackle the relevant issues such as renewable energy and more sustainable transport .

- India could benefit greatly from European expertise and development if Indian researchers and senior experts could travel to Europe to undertake higher education studies or to be involved in research projects. They could then adapt and apply their findings from Europe in India.

- Similarly, Europe has much to benefit from the intellectual base in India as well as the availability of Indian technologies, experiences and test beds especially those covering scalability to large systems not typically found in Europe.

Fund Raising in Indian and Overseas Markets

Fund Raising whether through IPO, private placement, Qualified Institutional Placement etc in India is Regulated by SEBI vide SEBI Guidelines.

A] Overseas GDR issues

- There is no specific legislation in India governing the issue of GDR. Issue of GDRs is regulated by the Central Government. In November 1993, the Central Govt. issued the "Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt mechanism) Scheme, 1993" (FCCB Scheme). This scheme governs the various aspects that are to be complied with by an Indian Company to go ahead with the GDR issue.

- As on date, there exists a general permission granted by the MoF and RBI to issue GDRs if the same is in accordance with the notifications and schemes announced by the Central Government. This means that there is no requirement of prior approval of the MoF.

- GDR issue is considered as Foreign Direct Investment. Therefore, the prevailing sectoral cap with respect to the private banking sector and the conditions stipulated under the FDI Scheme under the Regulations issued by the RBI under the Foreign Exchange Management Act,1999 have to be followed to go ahead with a GDR issue under the Automatic Approval route under the FDI Scheme, without any specific approval from the Secretariat of Industrial Assistance and/or the FIPB.

- For GDR issues, Indian Laws do not require a Bank issuing GDRs to obtain any approval or permission from regulatory authorities in India.

Fund Raising in Indian and Overseas Markets (Contd…)

B] External Commercial Borrowings (ECB) : "**ECBs**" can be classified as per the RBI Master Circular as under:

(a) Foreign Currency Commercial Loans in the form of bank loans, buyers' credit, suppliers' credit, securitized instruments availed from non-resident lenders with a minimum average maturity of 3 years.

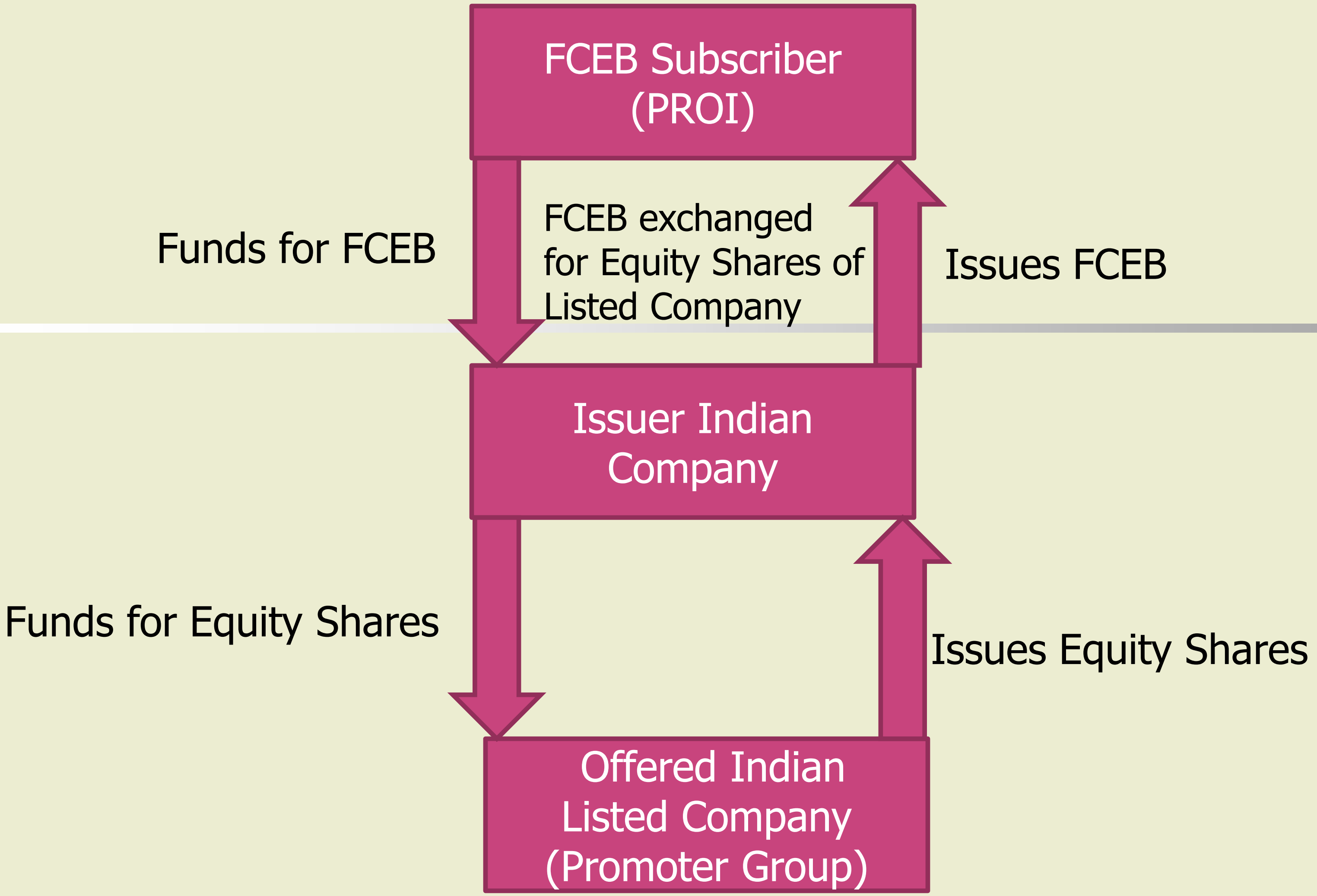
(b) Foreign Currency Convertible Bonds (FCCBs) mean a bond issued expressed in foreign currency, and the principal and interest in respect of which is payable in foreign currency and subscribed by a non-resident and convertible into ordinary shares of the issuing company (whole/part on the basis of any equity related warrants attached to debt instruments.

(c) Preference shares (i.e. non-convertible, optionally/ partially convertible) are considered as debt and is treated as ECBs but denominated in Rupees but interest is determined based on LIBOR plus ECB spread.

(d) Foreign Currency Exchangeable Bond (FCEB) is expressed in foreign currency, the principal and interest is payable in foreign currency, issued by an Issuing Company and is subscribed to by a person who is a resident outside India, in foreign currency and exchangeable into equity share of another company, to be called the Offered Company, in any manner, either wholly, or partly or on the basis of any equity related warrants attached to debt instruments.

Fund Raising in Indian and Overseas Markets (Contd…)

A brief explanation of the novel type of ECB introduced in 2008 – FCEB



Fund Raising in Indian and Overseas Markets (Contd…)

A brief explanation of the novel type of ECB introduced in 2008 – FCEB

- The Issuing Company has to be part of the promoter group of the Offered Company and shall hold the equity share/s being offered at the time of issuance of Foreign Currency Exchangeable Bond.
- The Offered Company has to be a listed company engaged in a sector eligible for FDI/ ECB.
- The subscriber (PROI) of FCEB has to adhere with FDI policy

End use:

Proceeds received by Indian Issuing Company from PROI can be invested
(i) in the promoter group companies, who in turn shall use it as per ECB policy and is not permitted to utilize it for investments in the capital market or in real estate in India.
(ii) by way of direct investment including in JV WOS.

Prior approval

Prior RBI approval of RBI is required for issuance of FCEB.

Fund Raising in Indian and Overseas Markets (Contd…)

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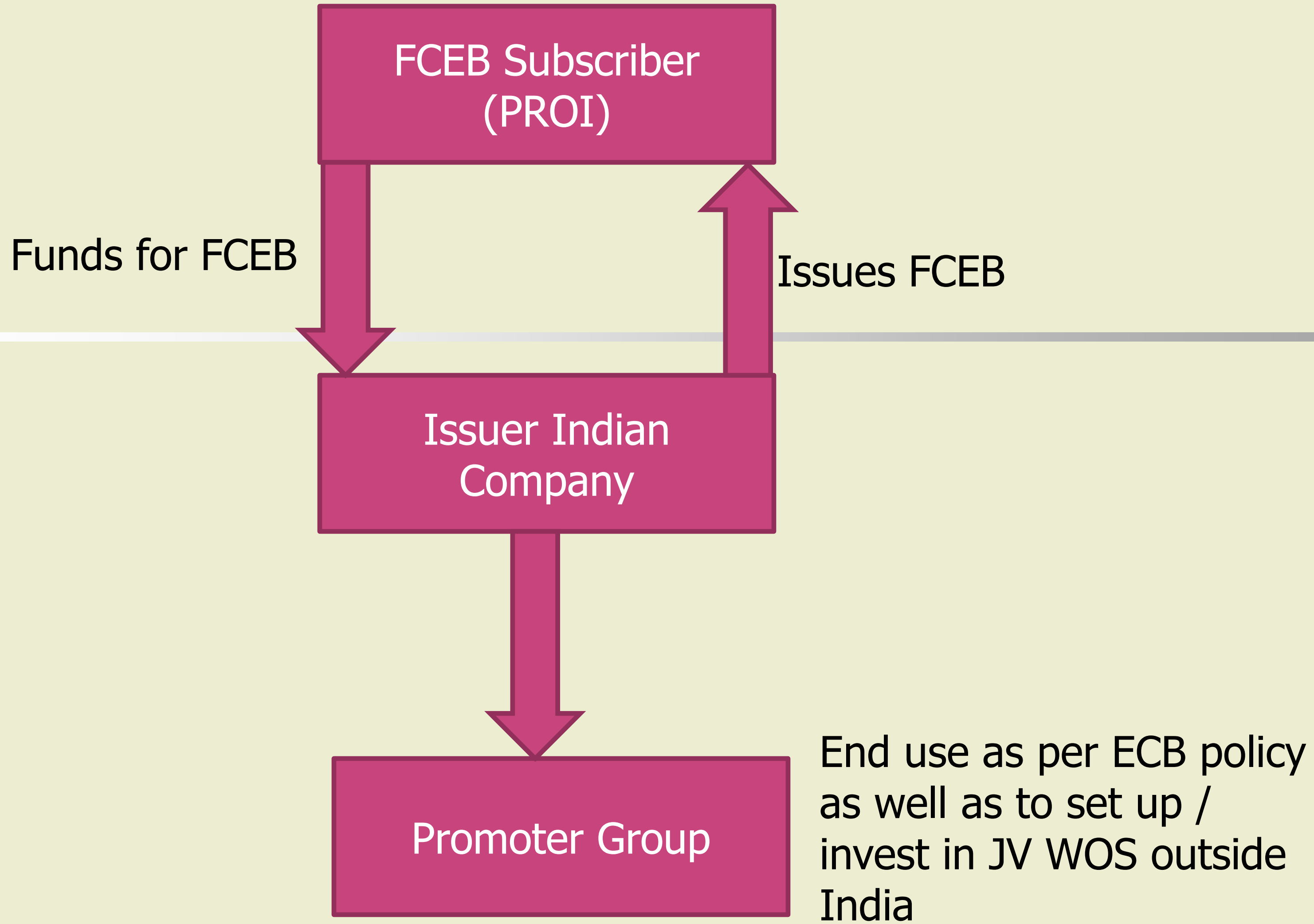

Fund Raising in Indian and Overseas Markets (Contd…)

C] Private Equity: The term 'Private Equity' is used in several different ways and is used interchangeably with Venture Capital, Leveraged buyouts (LBO) or Management Buy outs (MBO) deals.

India is witnessing a boom in the Private Equity funding since the last few years. All these funds, however, look for the following basic criteria while making an investment decision:

- The Track record of the company
- Quality of the Management Team
- Their industry experience and ability to add value
- Return on Investment (ROI)
- The clarity and substance of information presented
- Market and competition
- Future/ growth potential
- Exit route

Fund Raising in Indian and Overseas Markets (Contd…)

D) Debt Solutions

Indian Companies are raising debt through domestic or international markets. The debt could be short-term or long-term and it may be raised for working capital needs of the company or for funding their new/ expansion projects. Indian corporates are raising funds from Europe and other international markets by way of ECB/ FCCB, Commercial Paper and corporate borrowings from banks and financial institutions. The deliverability and structure of debt is usually key to meeting that long term growth objectives.

E) Distress Assets and Restructuring

There are some Indian Private Equity funds that specializes in funding of distressed assets and help/ buyout a loss making company for realizing the value of assets or turn around these companies by fresh infusion of capital.

F) Mergers and Acquisitions

One of the important ways of raising funds is overseas acquisitions.

G) Private Placements

Funds can even be raised through private placement of shares/ convertibles to Institutional investors through QIP/ QIB.

India European Union Trade Relations

India is an important trade partner for the EU and a growing global economic power. Although it is far from the closed market that it was twenty years ago, India still also maintains substantial tariff and non-tariff barriers that hinder trade with the EU. The EU and India hope to increase their trade in both goods and services and investment through the Free Trade Agreement (FTA) negotiations that they launched in 2007. Negotiations are expected to be concluded in early 2012.

Trade in goods

EU goods exports to India 2010: **€34.7 billion**
EU goods imports from India 2010: **€33.2 billion**

Trade in services

EU services exports to India 2010: **€9.8 billion**
EU services imports from India 2010: **€8.1 billion**

Foreign Direct Investment

EU outward investment to India 2010: **€3.0 billion**
Indian inward investment to EU 2010: **€0.6 billion**

Source: http://ec.europa.eu

Funding opportunities in Germany

Germany is one of the most populated countries in Europe and contributes to 23 % of the EU budget. It is India‟s biggest trading partner in Continental Europe India and was amongst the first countries to recognize the Federal Republic of Germany after the Second World War (according to the Indian Embassy in Berlin). Since then there has been a rapid growth in the field of trade and economics, science and technology.

Funding opportunities in France

Relations between India and France have traditionally been close and friendly. With the establishment of the strategic partnership in 1998, there has been significant progress in all areas of bilateral cooperation through regular high-level exchanges at the Head of State/Head of Government levels and growing commercial exchanges including in strategic areas such as defence, nuclear energy and space. France was the first country with which India entered into an agreement on nuclear energy, and today our relations are growing fast in important areas for the future, with wide-ranging cooperation in political, economic and cultural fields and on defence, space, science & technology, and education.

Funding opportunities in the United Kingdom

The United Kingdom is committed to developing an enhanced partnership with India. The UK/India relationship is mutually beneficial and wide ranging; covering-development, regional stability, trade and investment, climate change, counter terrorism and reform of the global international systems. The UK is the largest European investor in India and the fourth largest internationally. Likewise, India is the third largest investor in the UK.

The European Private Equity Market Outlook

Investments – private equity rebounded

With many fund managers having a large stockpile of committed but as yet uncalled capital available, in particular funds approaching the end of their investment periods, there was increased pressure to put capital to good use.

The buyout segment was most affected but is recovering faster

The investment environment was most affected, with the buyout market suffering the most due to substantially lower activity at the larger end of the market.

Improved financing conditions have allowed the refinancing of existing portfolio companies to address the maturing wall of debt falling due over the next few years.

Such conditions include the fall in high-yield corporate bond spreads to a level close to their long-term average and the increase in institutional investors' demand for leveraged loans.

Venture capital is still subdued

In contrast to leveraged buyouts, venture capital transactions have remained subdued. Although the substantial decline in investment activity in this market segment appears to have bottomed out, there have been few signs of a sustained recovery yet.

Euro zone Crisis

- The markets are swaying to the burble gist of developments crossways the globe.
- The husbandly economy, ontogeny and inflation drawing are struggling to manage with the consequences of wars, disturbance and scheme crisis of nations miles away.
- After the dweller subprime crisis that began with the explosive of the US structure bubble, the Euro regularize crisis is the incoming bounteous drive of anxiety for orbicular economies.
- The US subprime mortgage crisis saw uprise in sub-prime mortgage defaults and foreclosures. This resulted in a fall in securities hardback by mortgages . The underway Euro regularize crisis threatens to effect economies of modify nations with a burly husbandly growth.
- The non-indulgent debt crisis in Euro regularize nations could move over, moving the business upbeat of matured economies and impeding the scheme feat of nonindustrial nations. The soaring planetary lubricator toll has additional render to the fire.

Potential Impact of Euro zone crisis on India

- First of all, the EU (excluding UK) accounts for roughly 30% of the country's merchandise foreign trade (export and import).
- The impact of a slowdown would be much more severe in the service sector (particularly BPO and software) where trade is skewed in India's favor.
- In addition, if the European contagion spreads and leads to a global slowdown, this would impact India's trade with other countries as well, and thus hit the domestic economy directly as well as indirectly.
- In addition to decline in security markets, one can expect to see a rise in gold prices, fall in commodity, and depreciation in currency .
- If the debt crisis spreads to other nations in Europe and their banking systems, european entities could start Repatriation of funds from Indian stock markets.
- This would negatively impact the Indian stock market and Lead to lower foreign currency reserves.
- Finally, a slowdown would impact global investor confidence and rather than taking even moderate risk, individuals and corporations might prefer to put their money in safe avenues such as gold and government bonds, thus leading to slowdown in capital investment.

Potential Impact of Euro zone crisis on India (Contd...)

- As a developing country, such a slowdown would adversely affect India which is in severe need of capital for long term growth.

- This would be another possible negative impact of the crisis. In addition to the possibilities outlined above, the Indian economy could be affected in thousands of other ways, as it is practically impossible to identify all the interlinkages between India and the global economy in this day and age of increasing integration.

- Another school of thought says that a slowdown in Europe and the US could benefit emerging economies such as India due to fall in commodity prices and flow of capital from those countries to countries such as India.

- However, in the absence of policy initiatives to kickstart economic growth and overall climate of crisis of governance, it is difficult to see this coming to fruition.

- In addition, past experience also shows that while India may not have fared asbadly as parts of the world in time of a slowdown, growth was negatively, and not positively affected by these developments.

Has Funding Dried up in Europe?

Europe has been beset by two interrelated crises:

(i) a banking crisis, stemming from losses in capital market securities (including US subprime and other structured products), as well as home-grown, boom-bust problems in the property markets of some EU countries; and

(ii) a sovereign debt crisis exacerbated by recession, transfers to help banks, and in some cases very poor fiscal management over a number of years that was inconsistent with the principles laid down in the Stability and Growth Pact and the Maastricht Treaty.

Europe's banks are scrambling to tap every last available source of funding, including through their retail customers, as they stock up on securities they can use to access the central bank liquidity they will need to lean on for many more months.

Fresh measures to flush banking systems with dollar liquidity do not tackle the broader euro funding shortages most of Europe's banks still face, as many find themselves shut out of mainstream bond markets.

EU-India partnership vital to Europe's future – Way Ahead…

- The strategic partnership between the European Union and India is vital to Europe's future prosperity and security.
- India is a successful and vibrant democracy, in fact, the world's largest.
- It stands as a beacon of democracy in a troubled region where genuine, pluralist democracy remains relatively scarce.
- The EU-India strategic partnership is strong because it is based on shared values of respect for democracy, the rule of law and human rights.
- With America, Russia and China all keen to ingratiate themselves with Delhi, the European Union cannot afford to be left behind.
- India is a diplomatic heavyweight and it deserves the EU's strong support both in the South Asia regional context and at the UN, where India's case for permanent membership of the Security Council is growing ever stronger.
- Many commentators talk about the twenty-first century being the Indian century. If that is so, the EU must ensure it is standing shoulder to shoulder with this emerging gentle giant.

Thank You