NIBM 2011: Entrepreneurship & Investments

Amsterdam | 21 September 2011

TATA Group & TATA Capital

TATA

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- Tata Group revenues of over US$ 67.4 billion in FY10
- Operations in Over eighty countries
- 56.9% of FY10 revenue from international operations
- Strong presence in forty four sectors with more than a hundred operating companies
- Over twenty seven listed companies with combined market capitalisation exceeding ~ US$ 100bn
- Over 350,000 employees
- India's most respected business group
- Ethics, Trust, Brand

- Tata Capital commenced trading in September 2007 and represents a major thrust of the Tata Group in the high growth area of financial services.
- Now has over 1,600 employees ,106 touch points in India with offices in Tokyo, London and Singapore.
- Asset book size of nearly US$4bn and a healthy capitalization of ~ US$500mn.
- Combined with insurance and AMC business of the Tata Group, Tata Capital provides a complete gamut of financial services to institutional and retail customers.
- Represents significant focus and long term commitment to financial services.

Structured into five key verticals across two customer segment

Commercial Finance

Commercial Finance

- Term loans,WC
- Channel Finance
- Equipment Finance
- Loan Syndication
- Structured Products

Infrastructure Finance

Infrastructure Finance

- Senior/sub/bridge/mezz/debt
- Loan Syndication
- Structured pdts

CEQ

- CEQ
- Rentals

Private Equity & Investment Banking

Private Equity

Investment Banking
M&A advisory
Capital Markets
(debt and Equity)

Equity and Debt Broking

Institutional fund placement

Retail broking

Retail lending & advisory

Realty lending
Home loans
Home Equity
Builder Finance

Asset Finance
Car Loans
PL / BL
Distr.of MF/ins

Wealth management

International Business

TATA CAPITAL

A full Service NBFC with a Comprehensive product suite

TATA

Fund Based	Corporate Finance	• Customised lending products, asset backed lending, channel finance, factoring and bill discounting,leasing,rentals
Fund Based	Consumer Finance and Advisory	• New and used vehicle finance, home finance, personal finance, business loans, credit cards, prepaid cards, two-wheeler finance • Farm equipment, rural finance • Retail broking and distribution of fee based investment and insurance products • Customised offering for high net worth individuals through wealth management
Fee Based	Investment Banking	• Mergers and Acquisitions Advisory • Debt and Equity capital Markets • Syndications
Fee Based	Fund Management	• Manage both domestic and off shore funds focused on growth and expansion equity • Four funds proposed – mid market fund, special situations investment, innovation fund and healthcare fund
Fee Based	Distribution and broking	• Institutional broking and Distribution, currency and commodity broking
Fee Based	Travel Services, FX and cards	• Travel services • Credit cards, prepaid cards. Money changing

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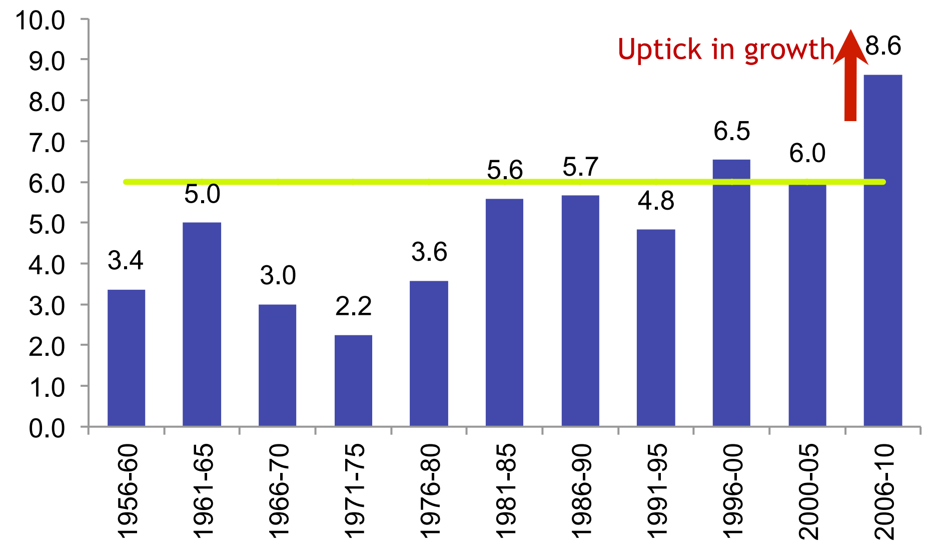
India at Inflexion - Future ready

Growth has picked up markedly in recent years

- Average growth picked up substantially in last 5-6 years
- Driven by twin engines of domestic demand – consumption and investment
- GDP growth was 6.8% even during the credit crisis

Average GDP growth over the years

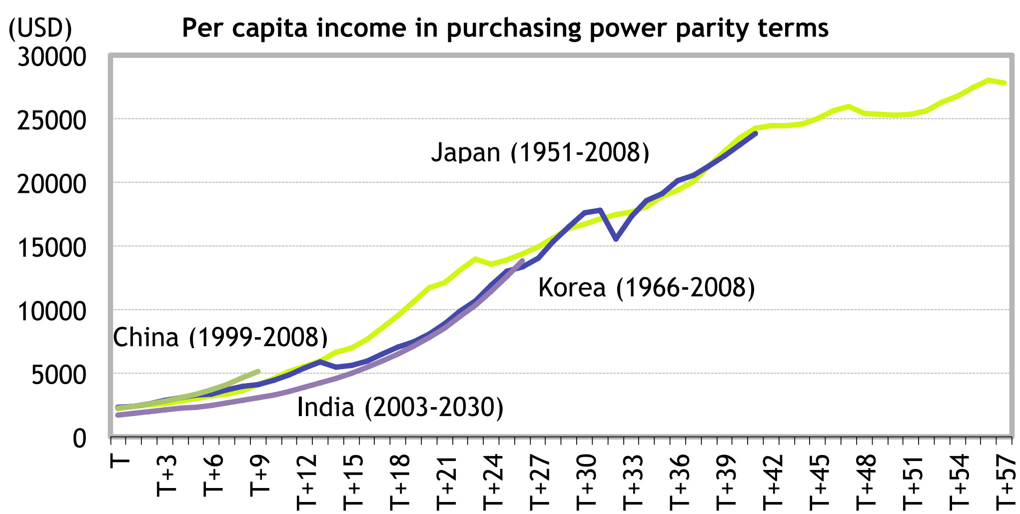


Source: CEIC,Tata Securities Research

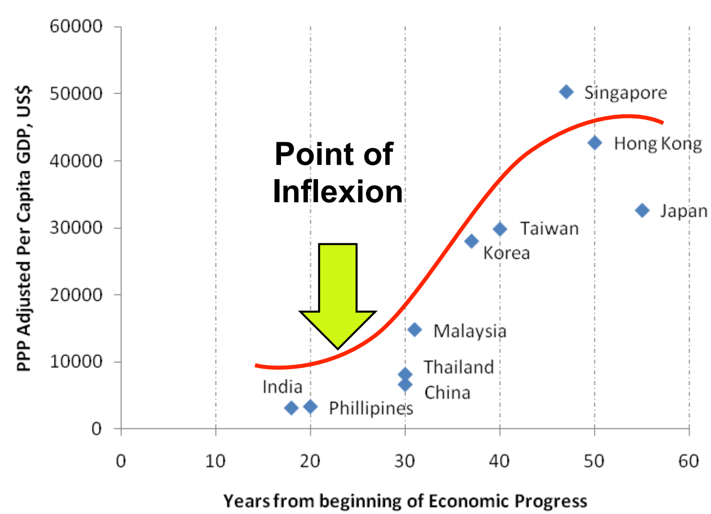
India approaching inflexion point

- India similarly placed as Japan in the 50s and Korea in late 60s
- Sizeable expansion in income possible in coming years
- Per capita income may increase six-fold in next 20 years
- India at a similar stage of development as China in 2000

India embarking on the growth super-cycle



India: Approaching point of inflexion

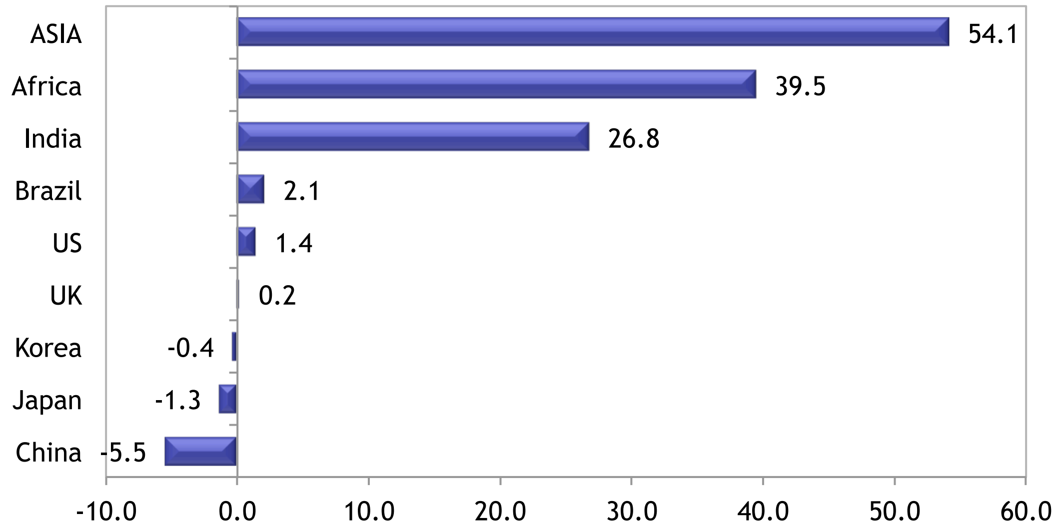


Source: IMF, Bloomberg, Tata Securities Research

Demographic dividend to rack up

- UN population studies estimate that India would contribute as high as 26% of incremental labor force to world total by 2030
- In comparison, China shall see a de-growth in labor force while Brazil and US shall see only small incremental growth

Additions to world labor force by 2030



Source: UN, Tata Securities Research

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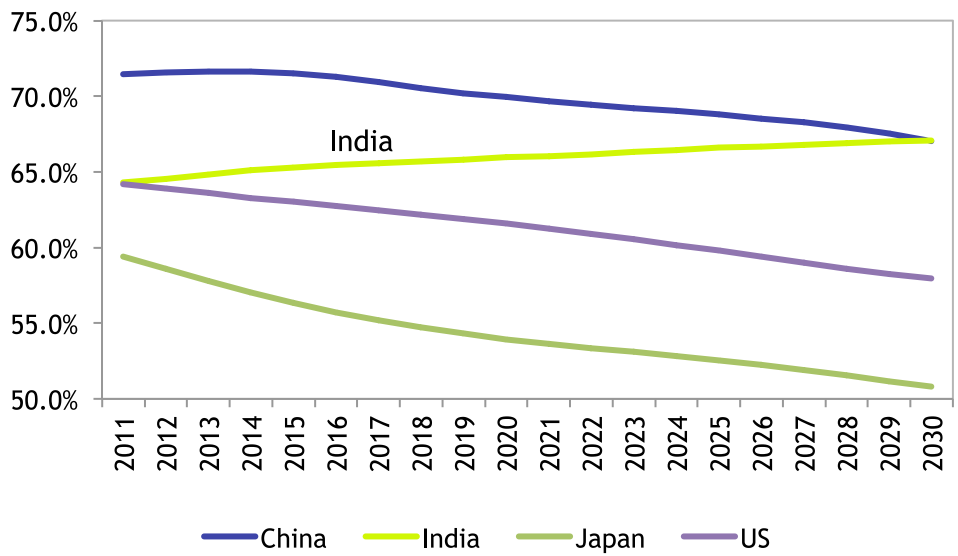
Younger population to yield benefits

- Young population would yield substantial demographic dividend to growth trajectory in coming years
- By 2030, India's working age population ratio shall in fact inch up by 3 percentage points to 67.1%
- At the same time, China and other developed nations shall experience lower proportions

Working age population (as % of total) over the years



Source: UN, Tata Securities Research

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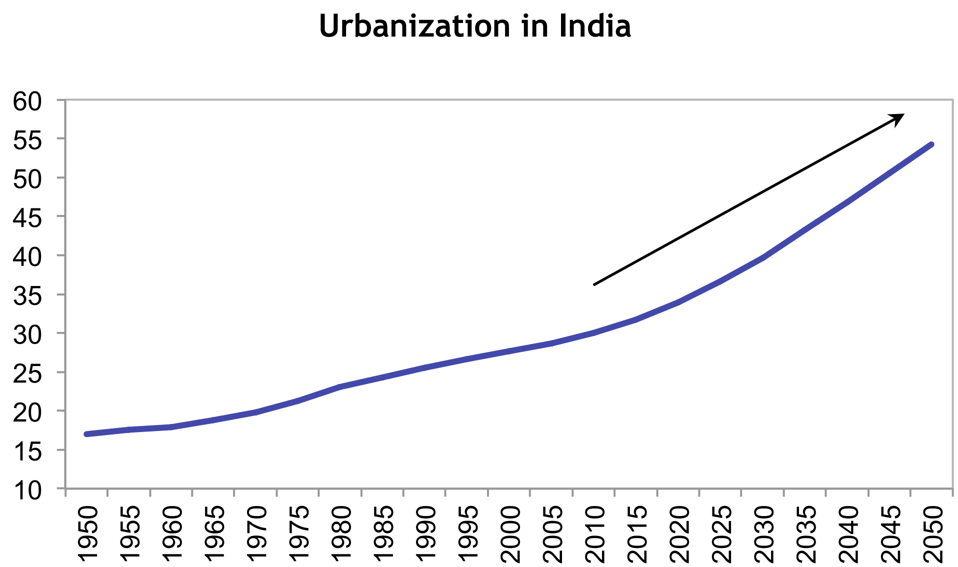
Increased urbanization to yield further momentum

- UN estimates current rate of urbanization for India at 30%
- This is expected to increase to 40% by 2030 and 54% by 2050 at an accelerating pace



Source: UN, Tata Securities Research

Three major themes driving India opportunity

Theme		
Demographic Dividend (Domestic Consumption Driven Growth)	• Consumer & Retail • Healthcare • Financial Services • Travel & Tourism	• Telecom, Media • Processed Foods • Education & Training • Real Estate
India Country Advantage (Global Markets)	• Auto-Components • Textiles & Garments • IT/ITES • Pharmaceuticals	• Biotechnology • Engineering Design • Metals • Downstream Industries – Mining

Growth Enablers (Infrastructure & Secondary Opportunities)	• Infrastructure
	  ➢ Power, Ports, Roads
	  ➢ Railways, Airports
	• Urban Infrastructure
	  ➢ Water/ Waste Management
		• Logistics
		• Heavy Engineering (Construction Equipment, EPC)
		• Offsets; MRO (Aircrafts/ Ships)
		• Petrochemicals (Downstream)

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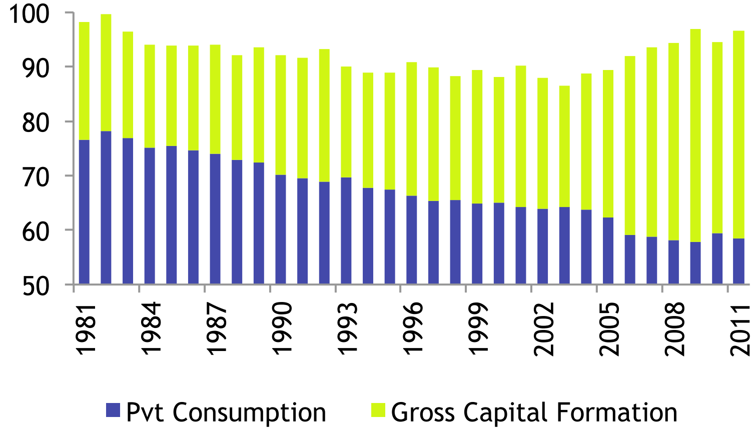
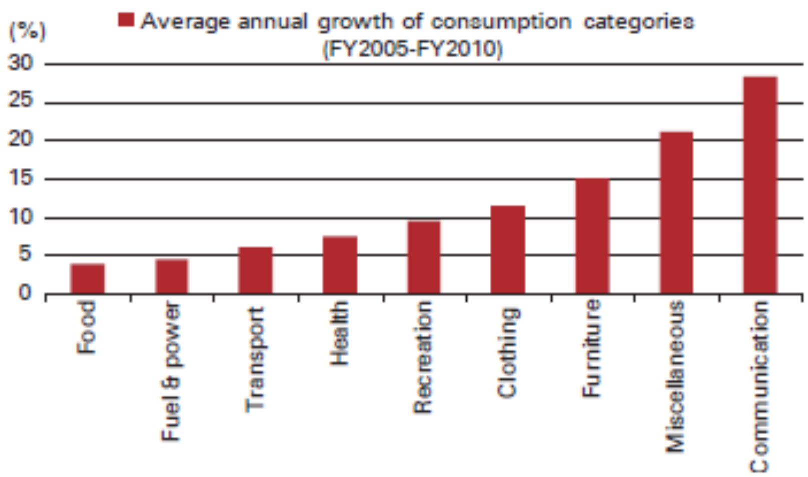
Consumption spending to drive growth

- Domestic demand driving growth unlike experience of Korea, Japan and China
- Domestic consumption is the largest driver for growth in India
- Greater ability to withstand swings in global growth cycle

Domestic demand drives real GDP growth in India



Consumption has picked up strongly in recent years



Source: CEIC, Tata Securities Research

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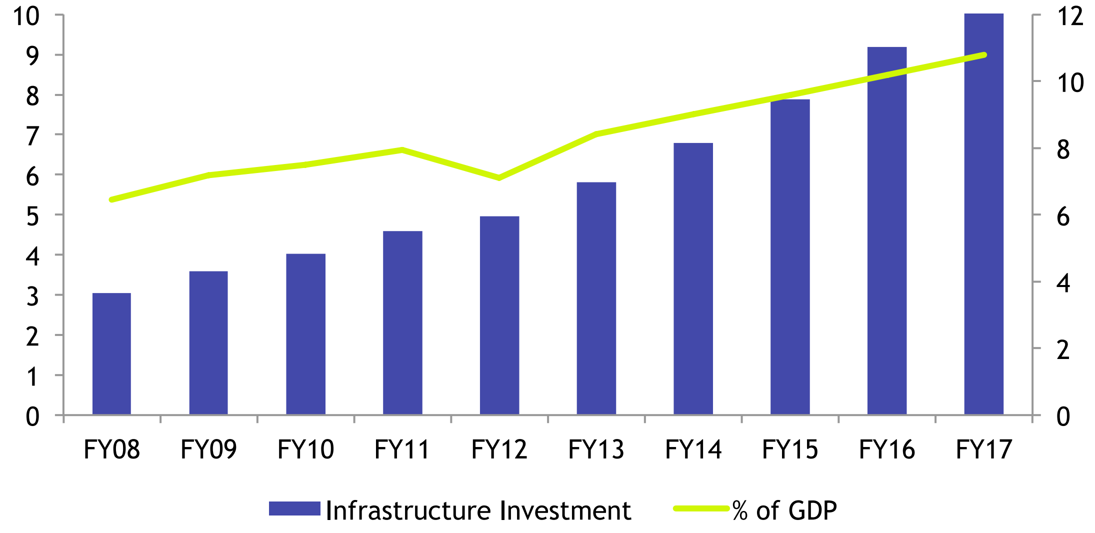
Infrastructure development is key

- Government's twelfth 5 year plan estimates US$ 1 trillion investment required in infrastructure sector to sustain 9% growth
- 50% of this is expected to come from private sector
- GoI targeting acceleration in rate of infrastructure investment from present sub-8% of GDP to ~11% in 5 years

Infrastructure investment in India
(USD Hundred Mn, % of GDP)

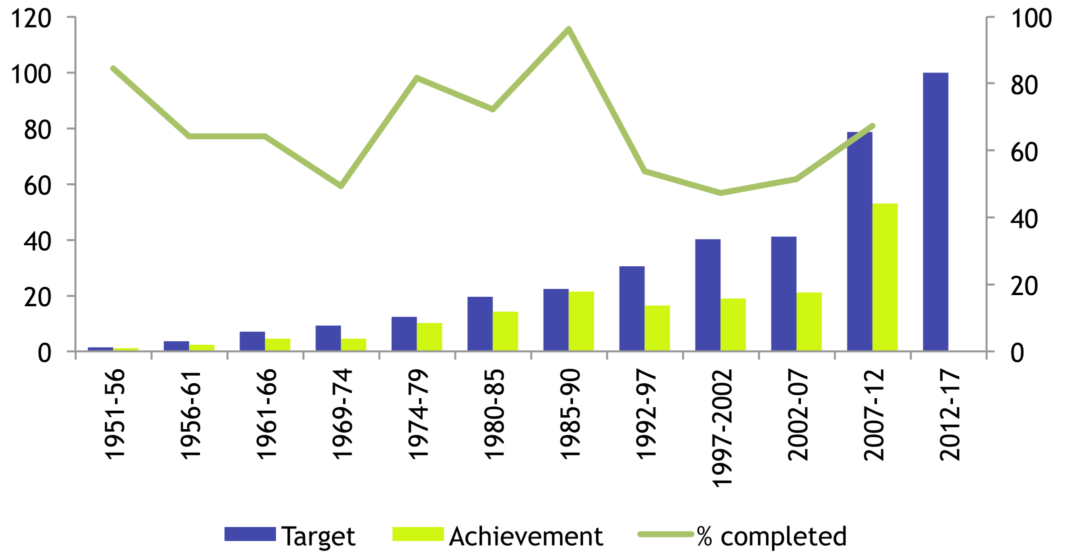


Source: GoI, Tata Securities Research

Power sector a major thrust area

- Targeted capacity addition in 12th plan is 100 GW
- Achievement of targets has picked up considerably – however, long way to go
- Fuel linkages, financing key obstacles

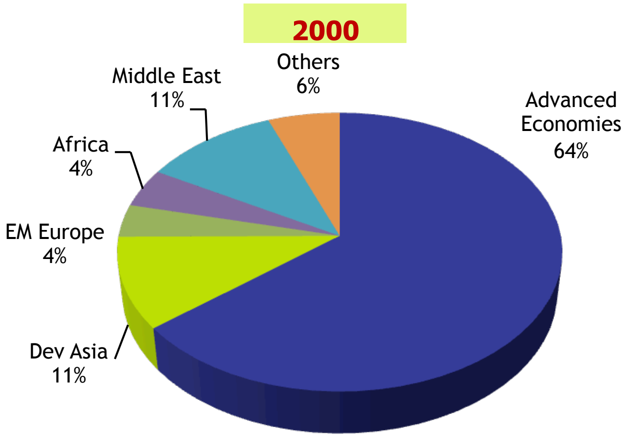
Plan targets and achievement in the power sector

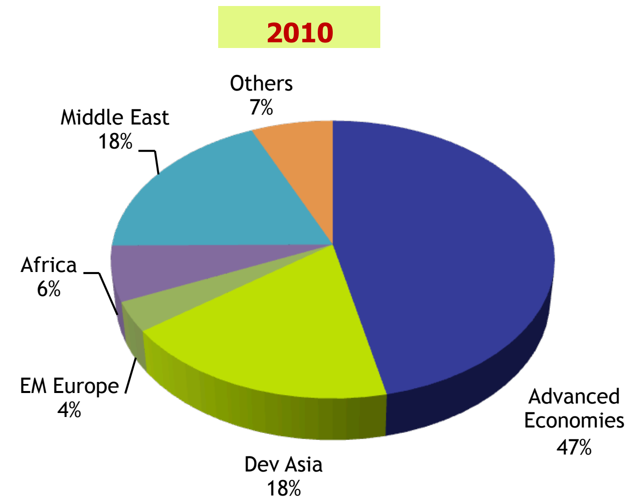


Source: Planning Commission, Tata Securities Research

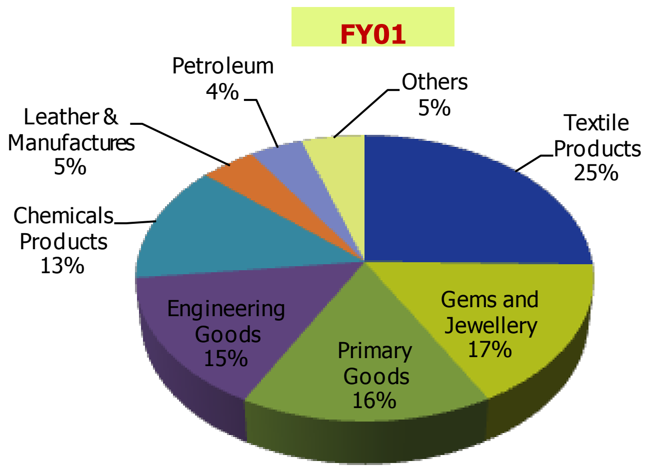
Newer markets and changing product mix helping exports boom

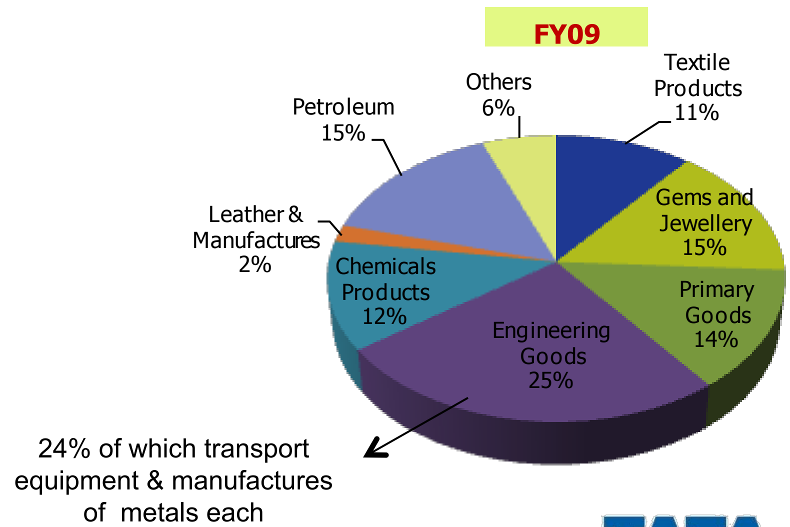
Newer markets present growth opportunities even as traditional markets falter





Share of high growth potential products rising





Source: CEIC, Tata Securities Research

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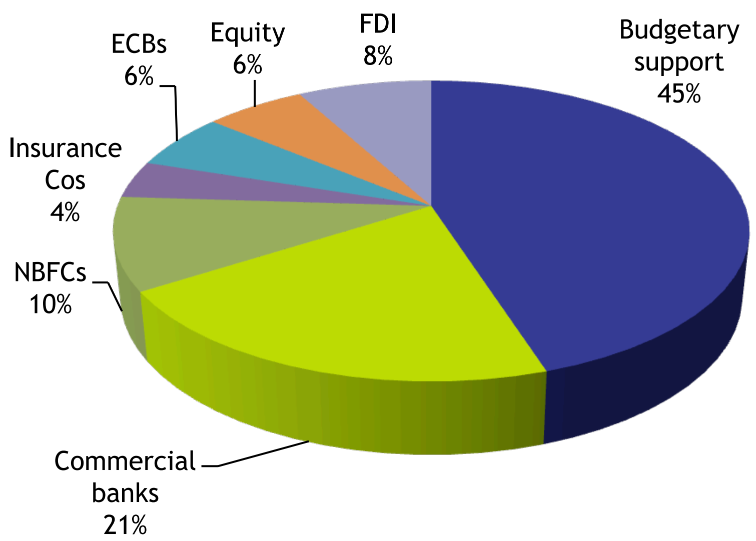
Financing infrastructure: Private sector opportunity

- Government of India expects private sector contribution to rise to 50% (~US$ 500 bn) in 12th plan period
- To achieve 9% plus growth, India would require 4-6 percentage point contribution from external financing to fund the domestic saving-investment gap

Sources of infrastructure financing (%)



Debt sources of infrastructure financing

(Rs bn)	FY2008	FY2009	FY2010	FY2011
Gross commercial bank outstanding to infrastructure	8,669	10,544	13,098	4,696
External commercial borrowing	811	553	526	352
Infrastructure finance companies^^	616	679	838	467
Private placement of debt	39	190	122.0**	106
Insurance companies lending to infrastructure and social sector	709	757	843.3^	NA

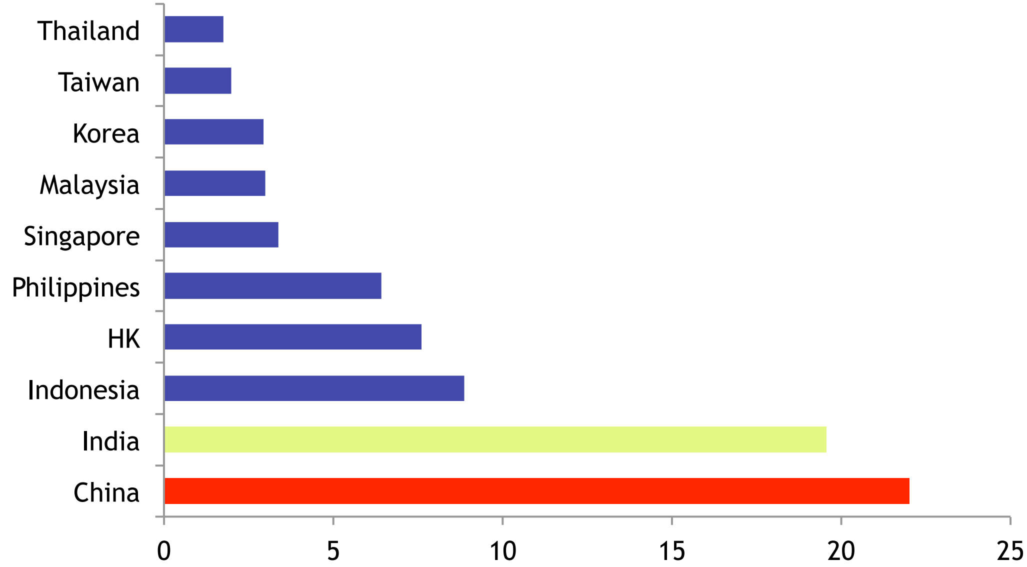
*Upto September 2010, **April - December 2009, ^Estimate
^^Includes disbursements by IDFC, PFC, REC and Srei Infrastructure
Source: India Infrastructure Research, Tata Securities Research

Source: Planning Commission, India Infrastructure Research, Tata Securities Research

Equity market returns

- India second behind China on historical returns amongst EM peers
- High likelihood that performance can continue in similar vein in years to come

Growth (number of times) in value of representative equity index over 1990-2010

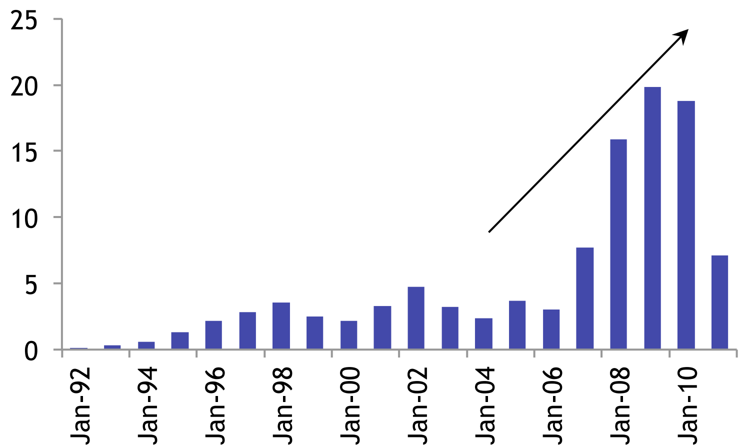


Source: CEIC, Tata Securities Research

FDI - Opportunities opening up

- FDI inflows rising but not matching the quantum experienced in China
- Government is actively looking at various sectors to boost FDI inflows

FDI inflows have improved in recent years but the quantum leaves much to be desired for



Rank	Sector	FY2001-2011	Share
		(US$ bn)	(%)
1	Services (fin and non-fin)	27.0	21
2	Computer Software & hardware	10.7	8
3	Telecommunications	10.6	8
4	Housing and Real estate	9.6	7
5	Construction Activities	9.2	7
6	Automobile	5.9	5
7	Power	5.9	5
8	Metal Industries	4.2	3
9	Petroleum	3.2	2
10	Chemicals (ex fertilizers)	2.9	2

Source: GoI, Tata Securities Research

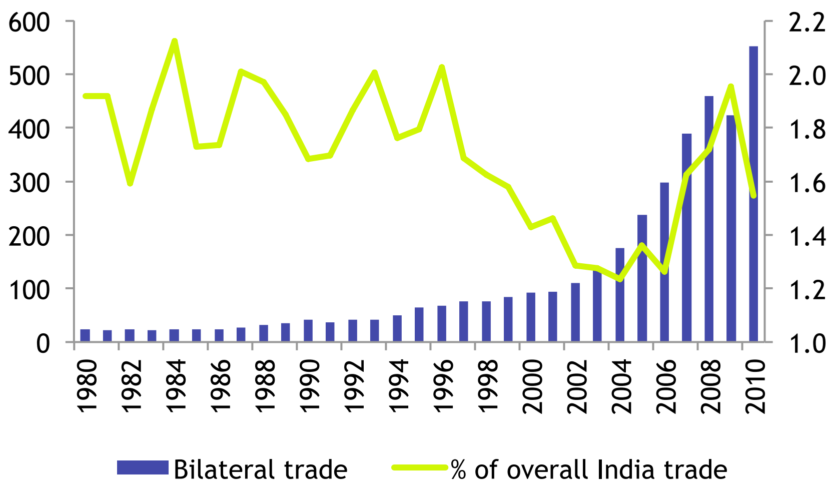
Government policy initiatives

1. Infrastructure
   - Viability Gap Funding facility
   - Model Concession Agreement facility to help mitigate risks – receiving plaudits by industry watchers globally
   - IIFCL set up to provide long-term debt, take out financing to financial institutions
   - Infrastructure Debt Fund created in 2011 to channelize long-term insurance and pension funds
   - New uniform Public-private Partnership (PPP) policy in works
2. Land Acquisition Bill draft passed by Cabinet
3. National Rural Employment Guarantee Act
4. Divestment in public enterprises
5. GST implementation
6. Targeted subsidy system

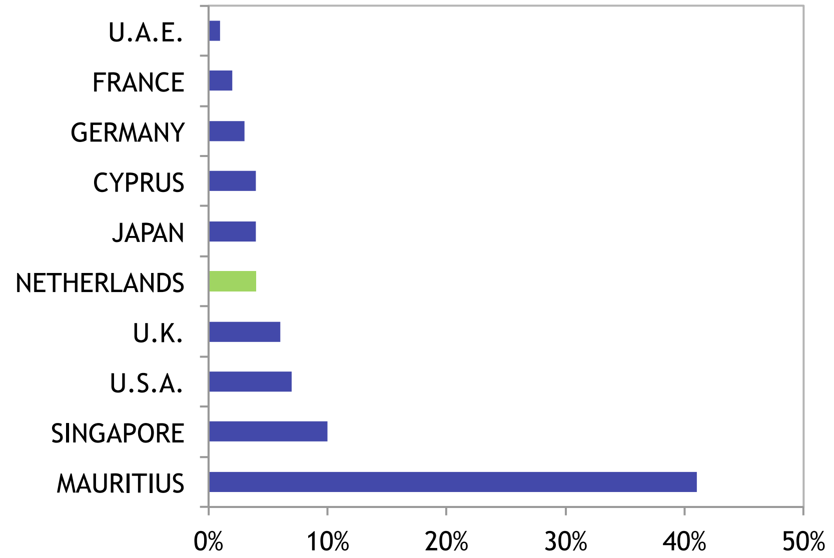
Netherlands-India relationship: Scope for expansion

- Netherlands is the 5th highest source of FDI capital flows into India and is now the largest recipient of Indian overseas investment
- However, share of Netherlands in overall India trade has stagnated near the 1.5% level
- Significant scope for expansion of Netherlands participation in Indian

Bilateral trade



Sources of FDI inflows into India



Source: GoI, CEIC, Tata Securities Research

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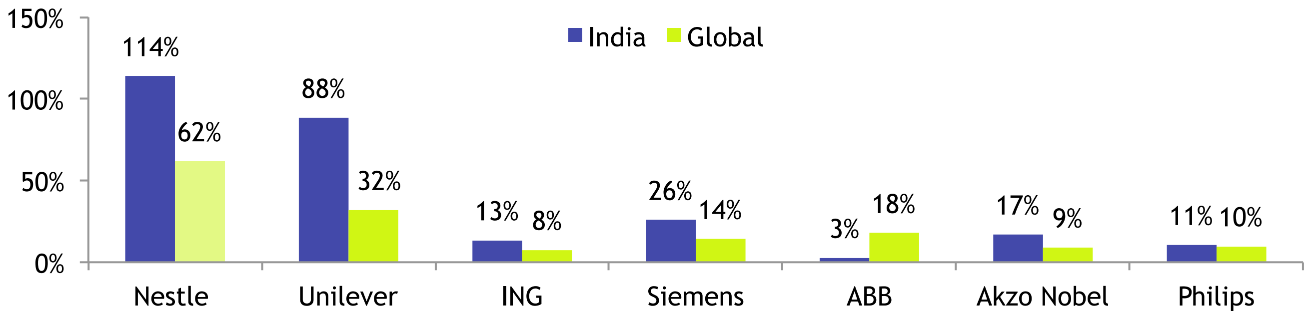
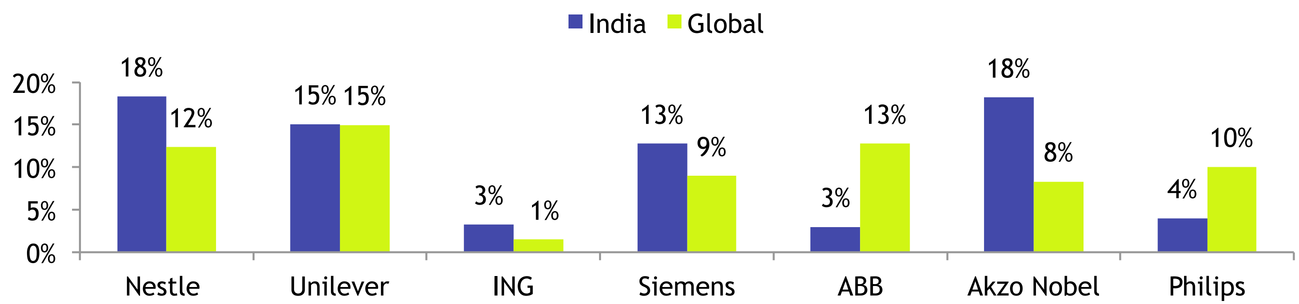
Corporations can make superior returns in India

- Most global firms including Dutch companies make higher returns in India – faster growth, greater profits and better returns - than their global operations
- Investments in India have also yielded higher returns compared to other Emerging Markets

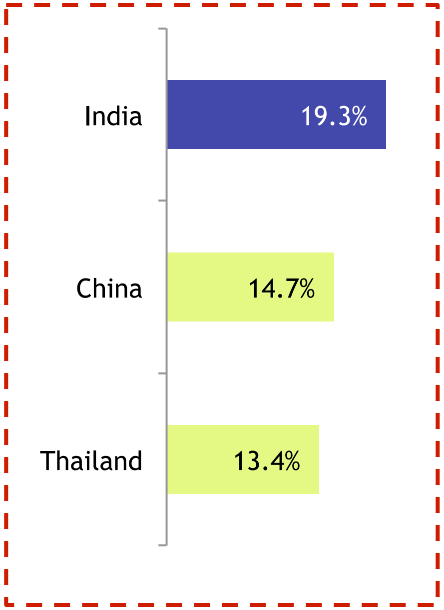
ROE (%)



Operating margin (%)



ROIC on foreign investment*



* US Department of Commerce – Analysis of investments by US companies in various emerging markets

Source: Bloomberg, Capitaline, Company reports and presentations

TATA CAPITAL

Contact

Praveen P Kadle
CEO & MD
Tata Capital Limited
Dr V.B. Gandhi Marg
Fort, Mumbai
400 001
India
praveenkadle@tatacapital.com

Amit Dev Mehta
Senior Vice President
Tata Capital Plc
30 Millbank
London
SW1P 4WY
U.K.
amit.mehta@tatacapital.com

Thank You