

CFO KNOWLEDGE FORUM

“Challenges and Opportunities in the current fund raising environment”.

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Synopsis of the presentation made by Mr. Sankaranarayanan:

- The current volatile times are not going to go away in a hurry since most macroeconomic forces are moving in one direction.
- Period of cheap capital (i.e. low rate of interest) is coming to a close. Substantial deleveraging in Europe will compel banks to reduce their own balance sheet size. Accessing ECB market will get tougher.
- Size of trading books of banks is going to reduce.
- In India, RBI's change from PLR regime to base rate regime has removed the cross-subsidization that existed earlier. To some extent, discipline has been enforced.
- When the West does badly, it has a lag effect on the Indian growth story.
- Current account deficit in India adding to the rupee's woes. Foreign currency borrowing is likely to become more expensive.
- Extraordinary amount of loans going into CDR.
- Managing shareholder expectation is important. As is the sequencing of capital raising.
- CFO needs to keep in mind that he will need to go shareholders more than once. Hence leaving money on the table for investors is very important.
- Expectation and aspiration levels have run beyond reality. As a result, a number of PE transactions are running into cold storage.
- CFOs need to fully exploit risk capital in the form of mezzanine. In addition, they can look to borrow against shares in the holding co. – a quasi equity call- has good potential. Explore payoffs / downsides of new transactions.
- CFO has to be a trainer/lobbyist/ voice of reason to the Board.

The CFO Knowledge Forum aims to create a platform for the participants to share thoughts and perspective on financial management and on creating shareholder value.



In the recent past, corporate investments have substantially slowed down across different sectors due to rising interest rates. The U.S. and European debt crisis have also increased the volatility in the domestic financial markets.

CFOs need to explore options like Divestitures, Spin offs to create shareholder value. Non-core businesses can be sold off to address the liquidity concerns within the organization. An increasing number of companies will look to consolidate their businesses.



CFOs need to look at various options to minimize the cost of capital. In this regard, companies have issued convertible debentures thereby raising funds at low cost.

