
TATA Steel launches exchange offer for CARSTM

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TATA Steel Limited had launched on 11th November 2009, an exchange offer of new foreign currency convertible bonds for any or all of the existing USD 875 million Convertible Alternative Reference Securities due 2012.

The CARSTM have a yield to maturity of 5.15% per annum and are convertible into Qualifying Securities or ordinary shares of the Company.

Under the Exchange offer, the company invited holders of the CARSTM to offer to exchange any or all of their CARSTM for new convertible bonds due 2014. The Exchange Bonds have a coupon and yield to maturity of 4.5% each and will mature on 21 November 2014, 5 years and 1 day from date of issue. They are convertible into fully paid up ordinary shares of the Company at INR 605.5325 per share at a fixed exchange rate of INR46.36 = USD 1.00 which was 15% in excess of the closing share price of the company at launch.

The period for Holders to offer to exchange their CARSTM for the Exchange Bonds under the Exchange Offer pursuant to the terms of the Offering Memorandum has expired. Following the expiry of the Exchange Offer Period, the Company wishes to announce the following in respect of the Exchange Offer:

The aggregate principal amount of CARSTM accepted by the Company for exchange pursuant to the Exchange Offer is USD 493,000,000. This comprises USD 473,500,000 and USD 19,500,000 in aggregate principal amount of CARSTM accepted in the Early Offer and in the Late Offer respectively.

The aggregate principal amount of Exchange Bonds to be issued by the Company in exchange for the CARSTM pursuant to the Exchange Offer is USD 546,935,000. This comprises USD 525,585,000 and USD 21,350,000 in aggregate principal amount of Exchange Bonds issued for CARSTM accepted in the Early Offer and in the Late Offer respectively.

The aggregate principal amount of CARSTM remaining outstanding after this Exchange Offer is expected to be USD 382,000,000.

Commenting on the successful execution of the Exchange Offer, Mr. Koushik Chatterjee, Group Chief Financial Officer of the Company said, "While TATA Steel does not have any near term material repayment requirements over the next 12-15 months, as part of our long term financing strategy, we continue to seek market opportunities to reduce the financing costs on a pro-active basis. In line with the above, the Company had launched this Exchange Offer to exchange part or all of the existing CARS for a fresh set of convertible bonds. This not only reduces the overall finance charges for the Company, but also extends the maturity of the bonds by two years. In addition, the lower conversion premium makes the Exchange Bonds more equity-like which is in line with the Company's overall de-leveraging strategy. The successful execution of this issue re-affirms the credit standing of Tata Steel in global financial markets as the majority of the CARS which enjoyed credit protection have been exchanged for these new convertible bonds enjoying direct equity and credit upside on the Company."

TATA Steel also announced that it has received the approval of the Reserve Bank of India to conduct the Exchange Offer in accordance with the terms of the Offering Memorandum on 16 November 2009. The settlement date for the issue of Exchange Bonds pursuant to the Exchange Offer is currently expected to be 20 November 2009.

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