



Derivative-Based Products

Local Currency Financing Rupee Loan

HIGHLIGHTS

- Long-term rupee loan
- Featuring attractive fixed rate
- Funded by first long-term rupee/dollar swap by a non-resident entity

THE COMPANY

Sundaram Home Finance (SHF) is a Chennai-based, private sector mortgage company sponsored by India's leading multi-finance firm, Sundaram Finance, which holds a majority equity stake in the company. Over the last forty-six years, Sundaram Finance has expanded operations and built up a network of 100 branches across India, with a focus on the southern states. It is viewed as one of the strongest finance firms in terms of its distribution.

The Indian mortgage market had witnessed growth of 20% in the past five years and was expected to continue to grow at double-digit rates into the near future. This growth reflected the huge demand of India's population and the fact that the country suffered from a housing shortage estimated at 19 million units in 2001. Sundaram Home Finance provided mortgages to underserved markets both outside and within the major metropolitan areas in the south.

FINANCING OBJECTIVES

SHF needed to closely match the interest rate basis and maturity of its funding with its mortgage loan portfolio. After an 18 month startup period, SHF was well positioned to expand its business. However, SHF's success depended largely on its ability to raise long term, fixed rate debt at reasonable rates. Funding of this type was otherwise unavailable to the SHF in the local market. In India's housing finance market, borrowing rates were high for mortgage lenders. This was due to high interest rates which Indian lenders paid for deposits, which competed with equally high-priced government paper.

THE STRUCTURE

IFC extended SHF an eight year Rs500 million (US\$10.6 million equivalent) loan. The fixed rate was set at disbursement. IFC funded the loan with a matching long-term rupee/dollar currency swap, the first by a non-resident entity in India.

OUTCOME

The IFC loan represented a cost-effective source of long-term fixed-rate rupee debt, enabling SHF to appropriately fund the expansion of its mortgage loan portfolio.

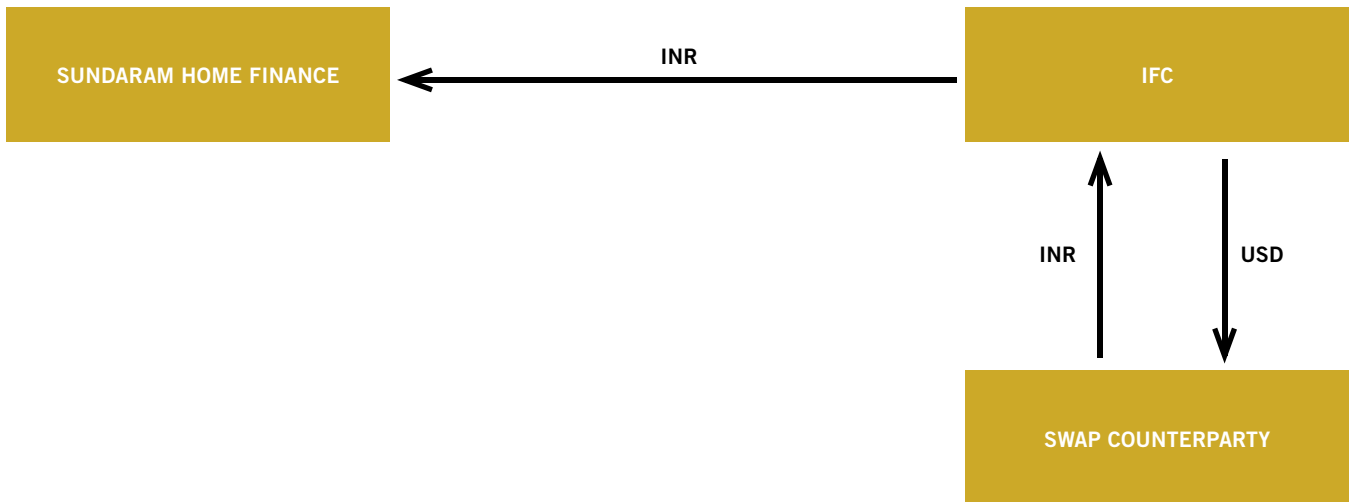


**INTERNATIONAL
FINANCE CORPORATION**
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TERMS AND CONDITIONS

Amount	Rs500 million (US\$10.6 million equivalent)
Currency	Indian Rupees
Maturity	8 years
Interest rate	Fixed rate
Interest payment	Semiannual

ARROWS INDICATE CASH FLOWS AT INCEPTION



ARROWS INDICATE INTEREST AND PRINCIPAL REPAYMENTS OVER TIME

