Outlook for private equity flows

India Value Fund
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Structure of PE funds

Relevance of PE funds to India

Outlook for 2009 and 2010
Structure of PE funds

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Structure of PE funds

- Are closed ended and raised for 8 to 12 years
- Raised from pension funds, endowments, foundations, SWFs
- PE managers take 3 to 4 years to invest the funds committed
- In emerging markets, PE funds are primarily invested in SMEs
- Invested for 3 to 8 years
- Re-placed by public equity or strategics
- No leverage

PE funds play an important role in helping Indian entrepreneurs build great businesses
Structure of PE funds

Relevance of PE funds to India

Outlook for 2009 and 2010
Foreign direct investments

<table>
<thead>
<tr>
<th>Year</th>
<th>US$ Billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>8.9</td>
</tr>
<tr>
<td>2006</td>
<td>22.8</td>
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<tr>
<td>2007</td>
<td>34.3</td>
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<tr>
<td>2008 (E)</td>
<td>35</td>
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</tbody>
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Non PIPEs are included in FDI flows
PE investments are significant part of FDI

- 2005: 18%
- 2006: 26%
- 2007: 32%
- 2008: 30%
Structure of PE funds

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India dedicated PE funds

Funds Raised

- 65% of funds raised are still un-invested
- 10 – 15% of funds may no longer be available for investments

US$ 10 billion still available for investments in India
Fund raising environment

- 25 to 40 percent erosion in value of portfolios, especially US University endowments
- Significant diminution in value of listed equities / bonds leading to denominator effect
- Severe liquidity crunch with investors
- ICs have hardly approved any new commitments in the last 6 months
- Investors are being extremely demanding on terms and legal documentation
- Commitments to new funds in 2009 likely to be 20% of 2007 or 2008

Most difficult fund raising environment ever in the history of private equity or venture funds
PE investments likely to be very slow till most bad news is out

PE funds prefer to invest during downturns

Recovery in PE investments expected only in CY 2010
Thank you