

PE/VC Industry in India;

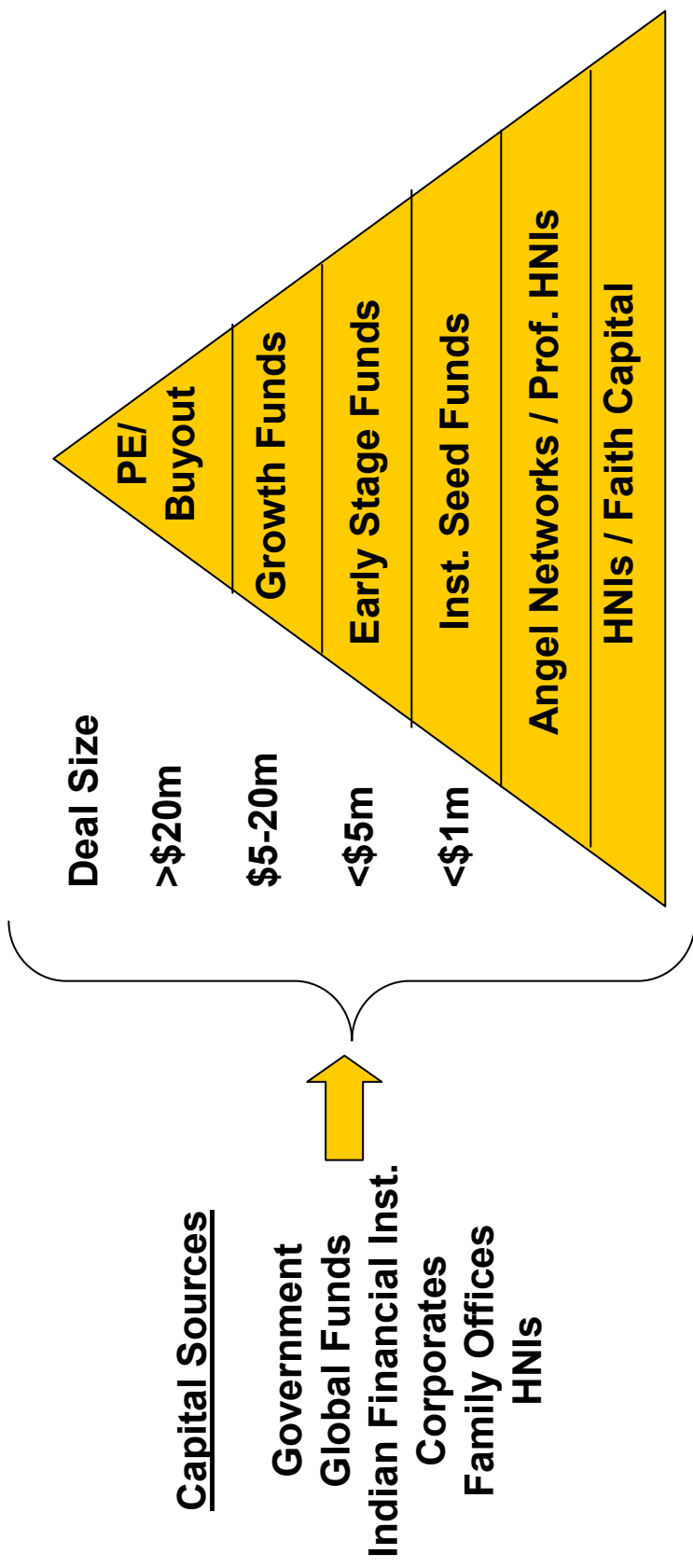
What comes next?

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Agenda

- ◆ PE Industry Overview
- ◆ Historical PE Investment Data (2004-2009)
- ◆ Forecast and Trends (2010-2015)
- ◆ Government Involvement and its Potential Impact

Indian PE/VC Industry Structure



Indian PE Industry Overview



- ◆ PE funds invested \$40B* in the Indian economy between 2004 and 2009
- ◆ At current growth rates, we estimate \$70-75B will be invested in 2010-2015
- ◆ However, with government encouragement and support, PE investment during this period can be \$100-150B

Source: Venture Intelligence

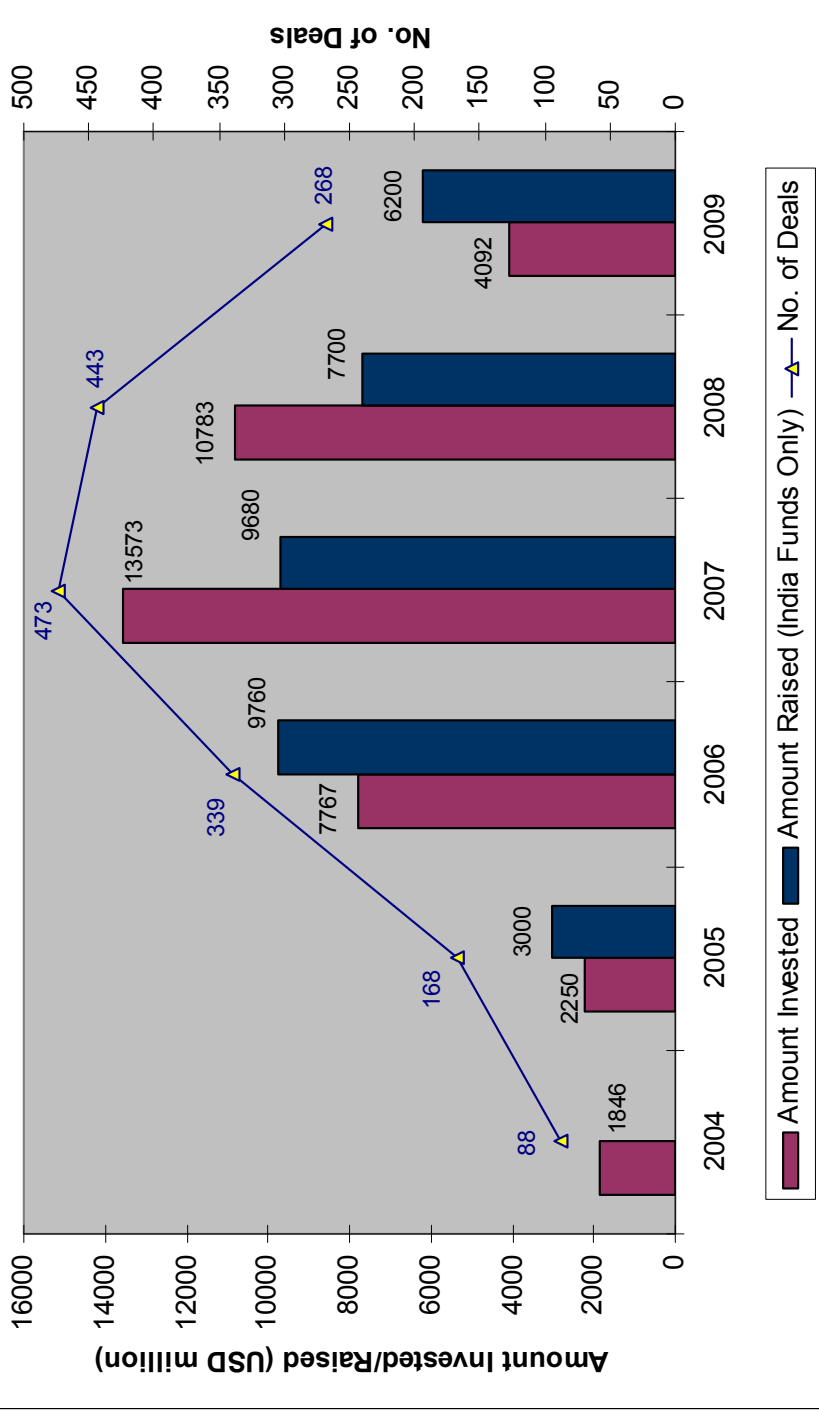
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Historical PE/VC Investment in India



Sources: Venture Intelligence, Prequin

PE Investment 2004-2009



Over \$40B invested in 1800 companies in this period

\$36B raised by India-dedicated funds; Including allocation from global pools, approximately \$50B made available for India

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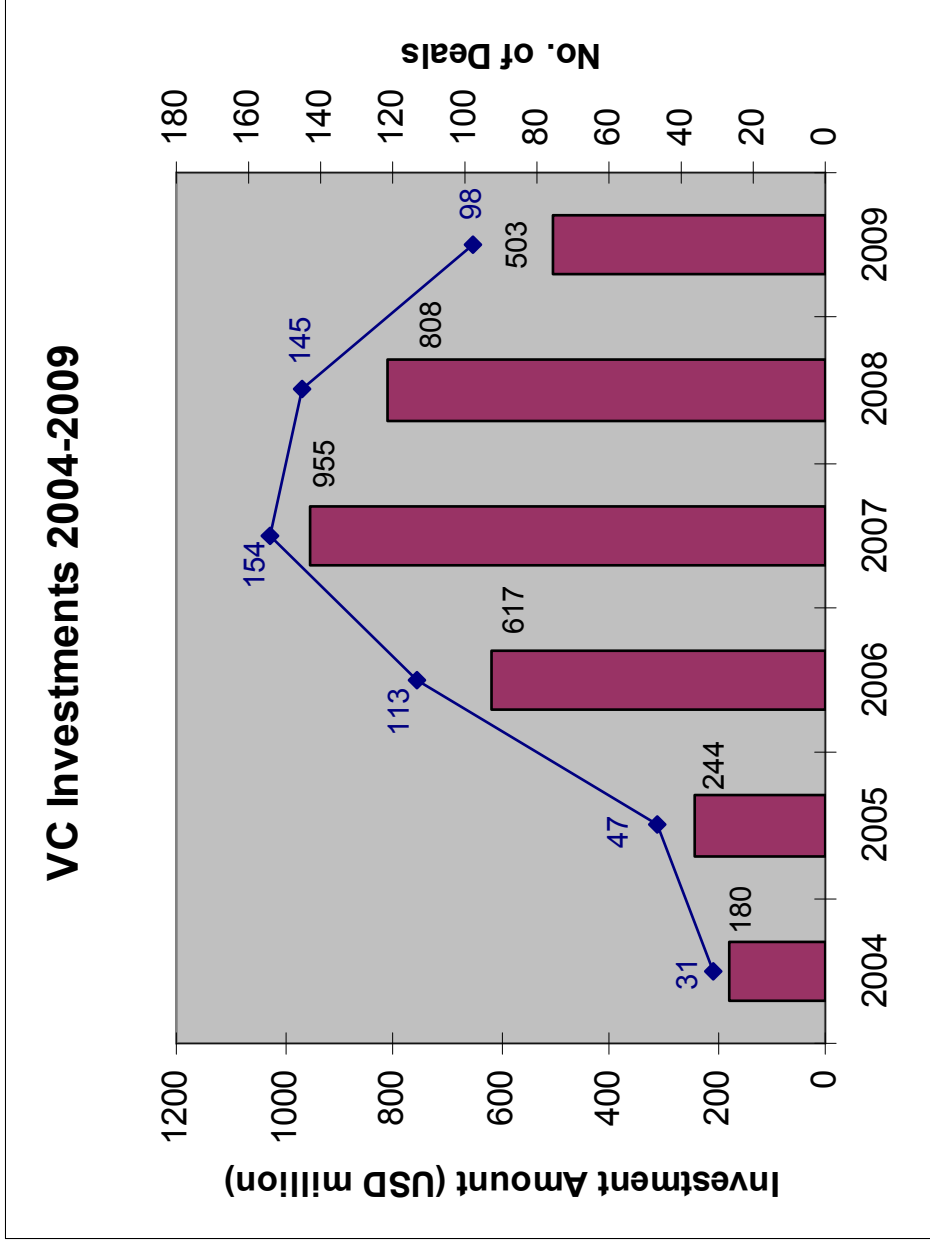
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Historical VC Investment in India



Source: Venture Intelligence

VC Investments 2004-2009



Only \$3.3B (8%) of PE investment is currently Venture Capital

Average deal size approximately \$5m (v/s \$15-20m for PE)

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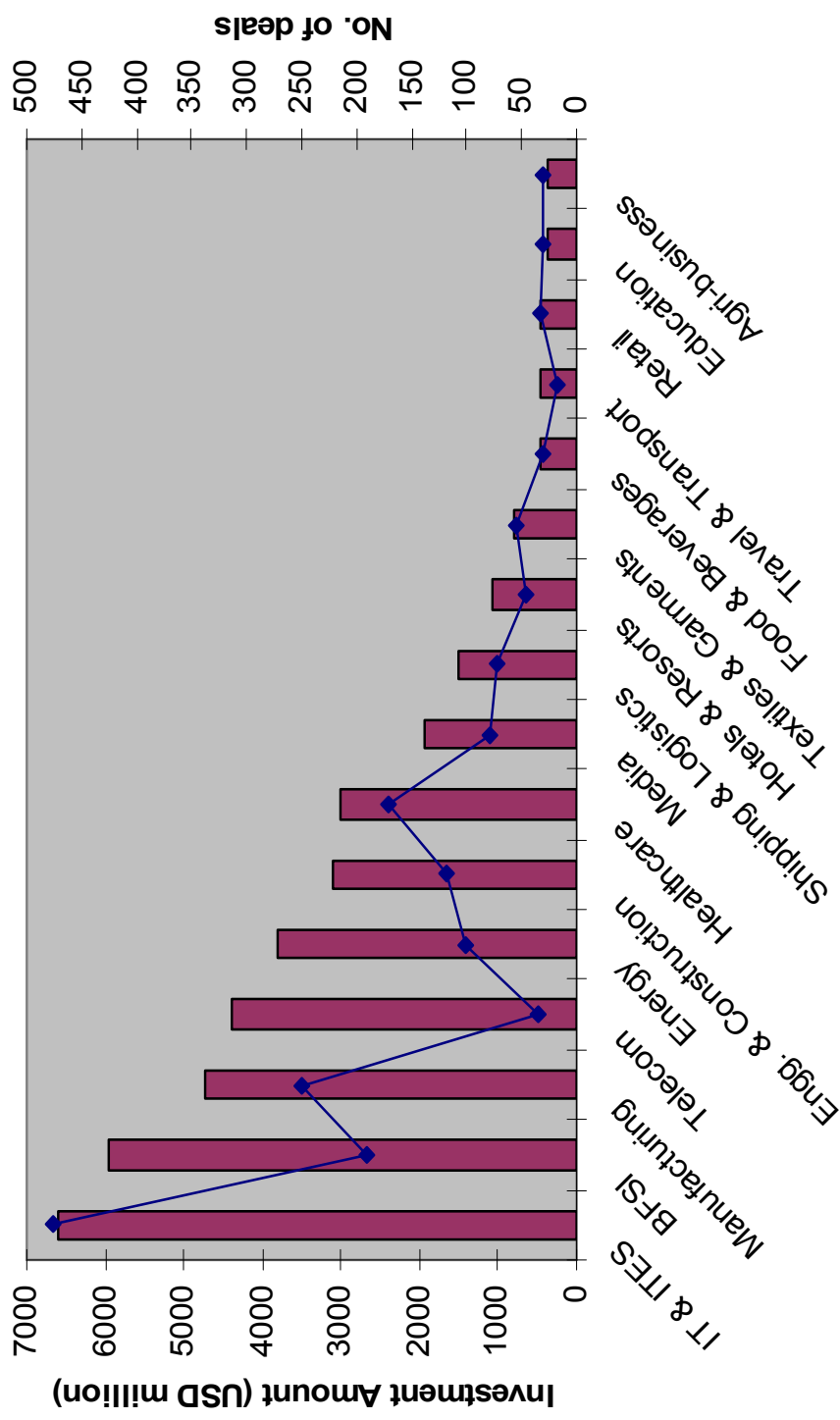
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PE Investments by Sector



Source: Venture Intelligence

PE Investments by Sector 2004-2009

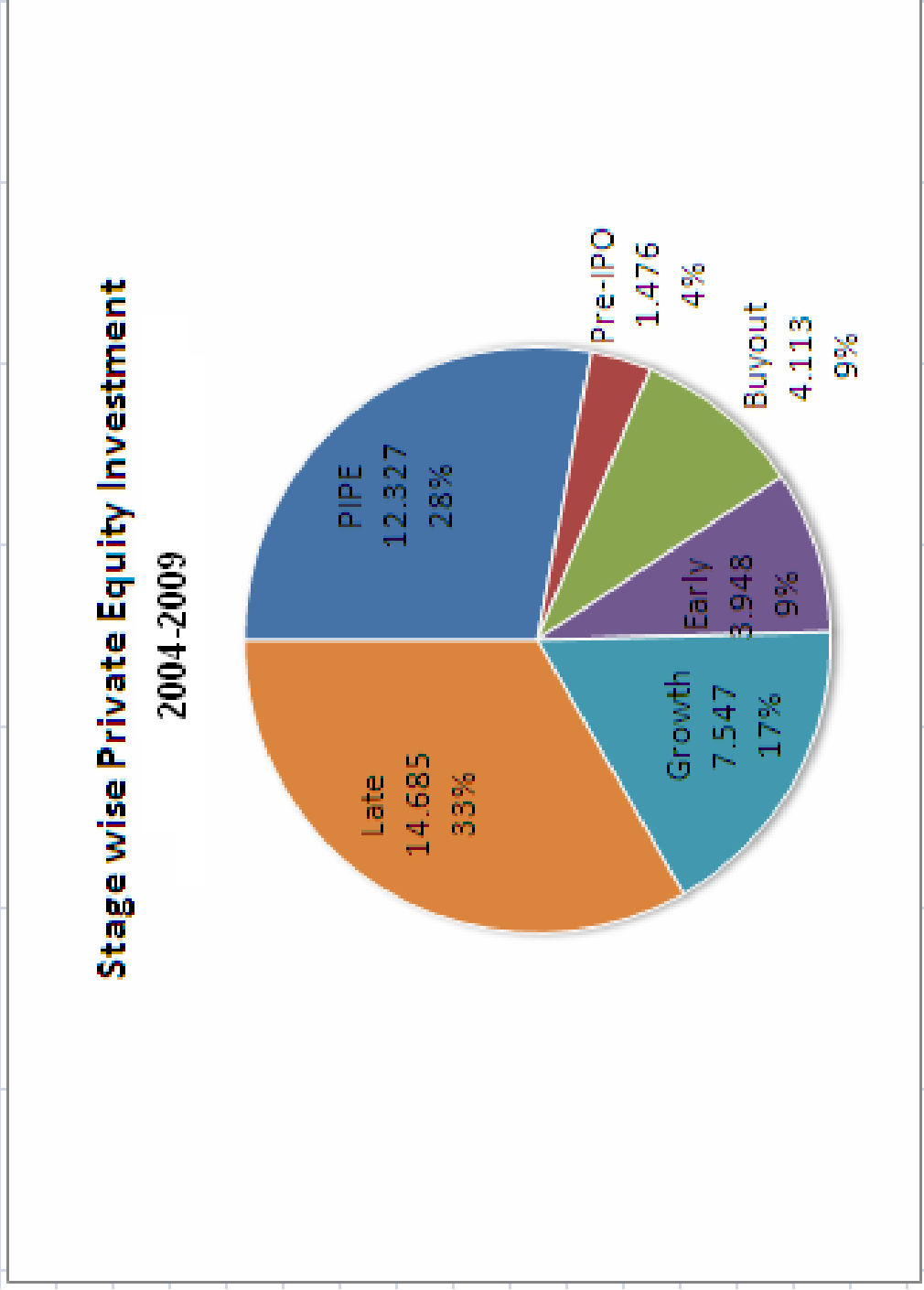


PE Investments firing only in select sectors – IT/ITES, BFSI, Manufacturing
Key sectors not currently attracting PE are Education, Retail, Travel etc.

PE Investments by Stage



Source: Venture Intelligence

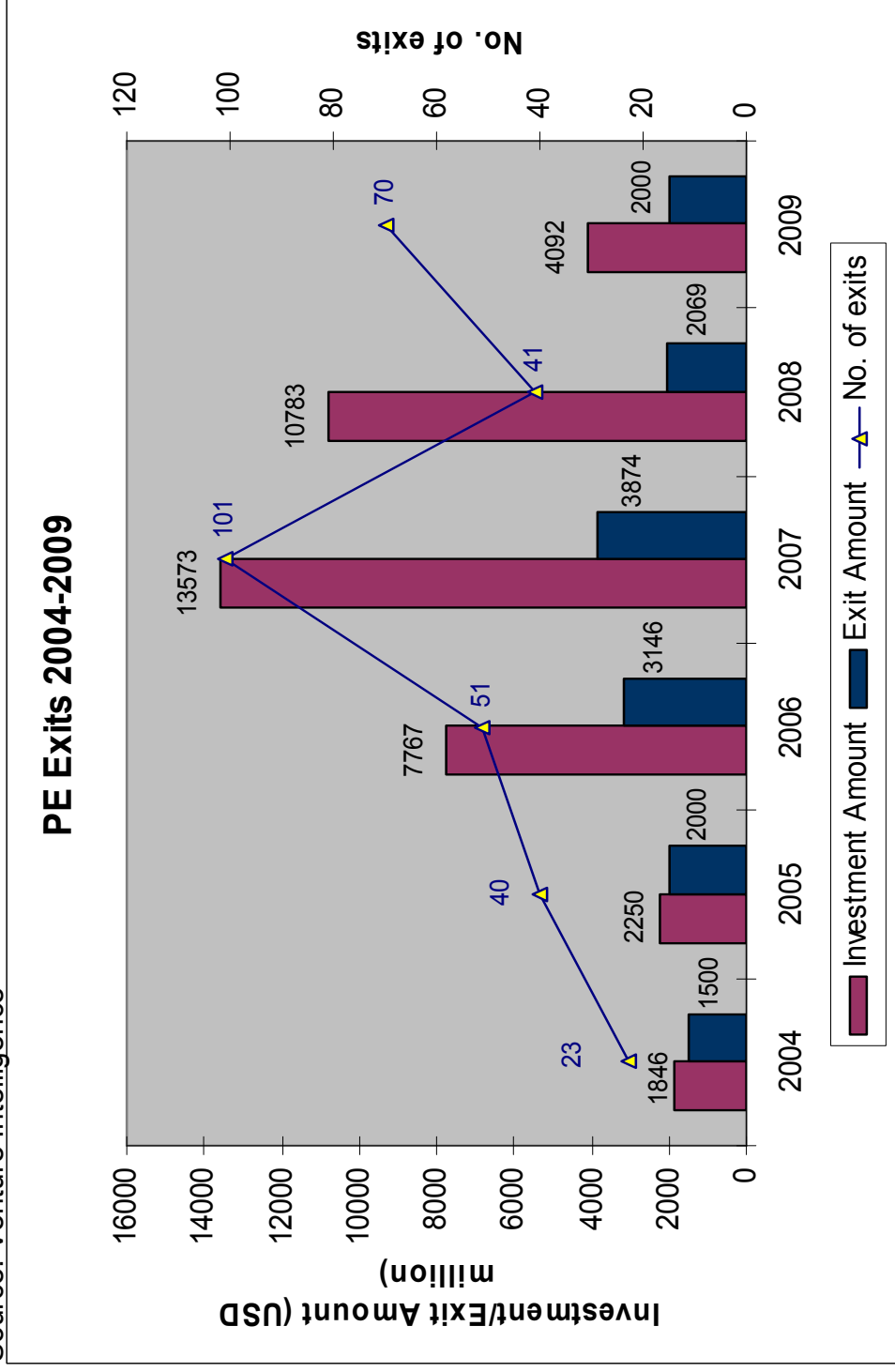


Average holding period for early stage investments is 5.5 years

PE Exits



Source: Venture Intelligence



PE is long-term capital – more money invested than distributed so far
\$40B invested in the economy during this period and only \$15B returned

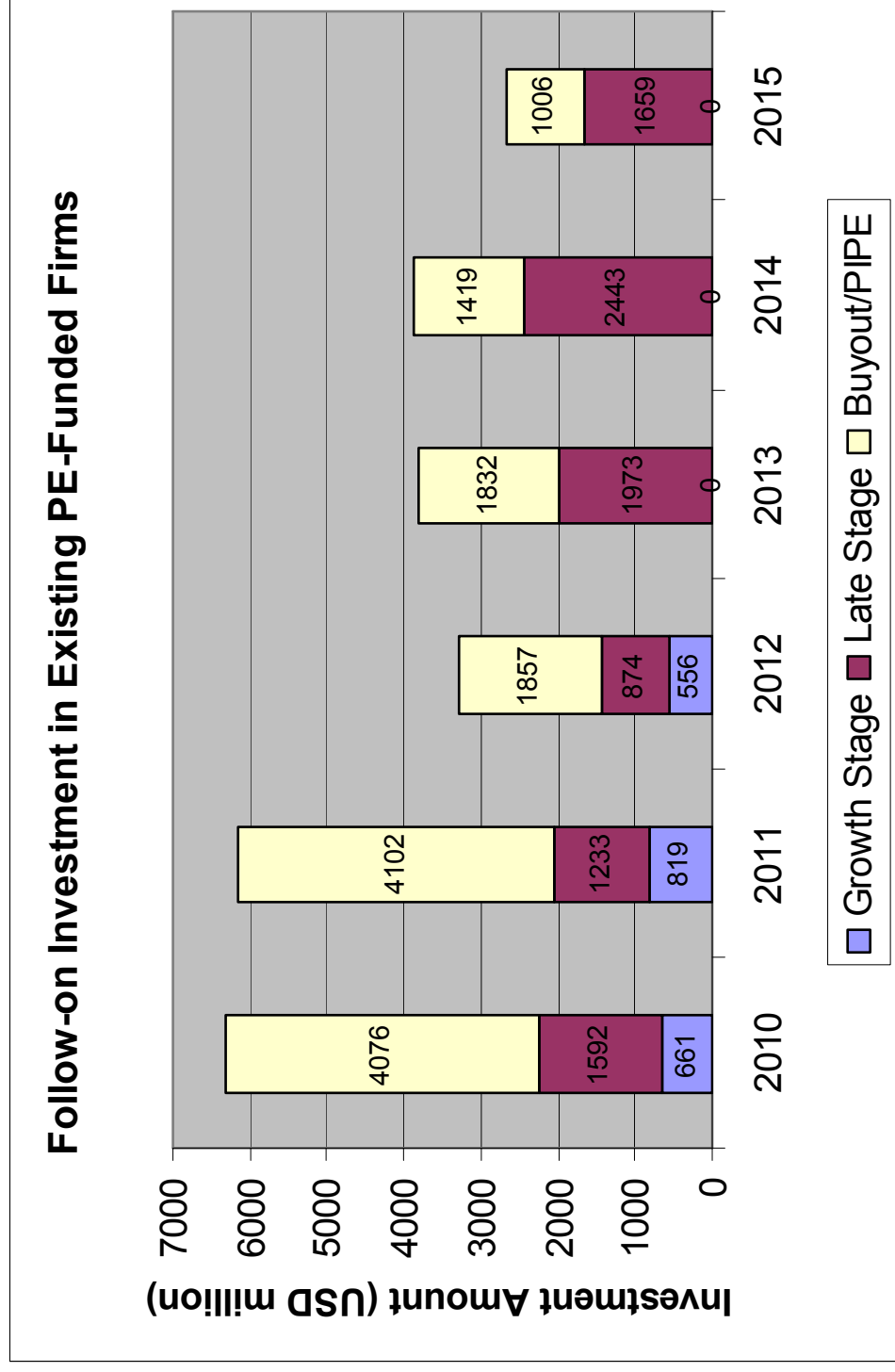
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\$70-75B estimated PE Investment in India during 2010-2015

- \$25B for follow-up funding of current PE-funded companies (850 companies)
- \$35B in new investments in 2000 companies in top 4 sectors
- \$10-15B in new investments in other sectors

2010-2015 Estimate: Existing Companies



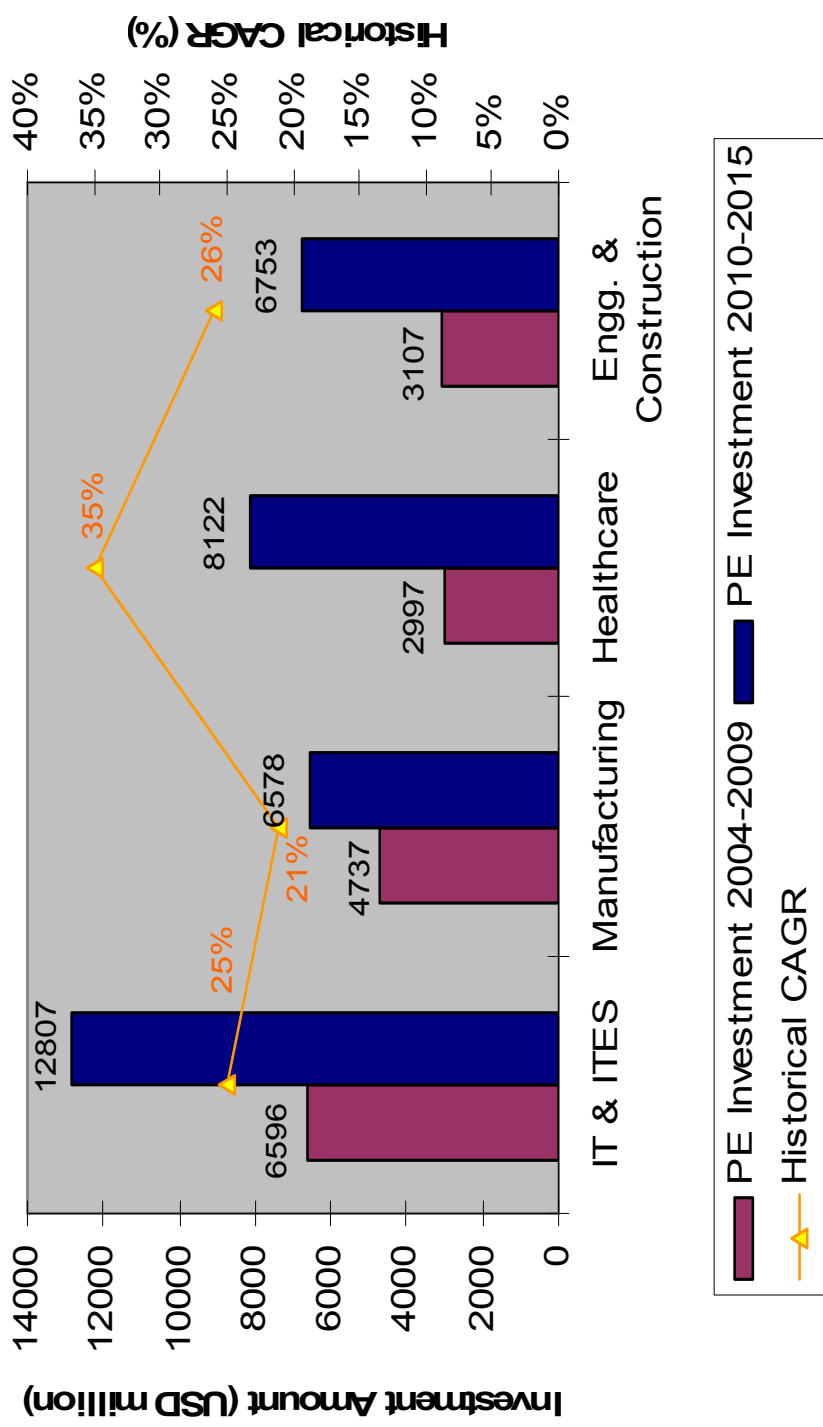
850 companies likely to attract \$26B follow-on funding in 2010-2015

2010-2015 Estimate: New Investments



Projections based on historical growth rates

PE Investment Forecast in Top Sectors



\$34B expected investment in top 4 sectors 2010-2015

2010-2015: Key Drivers for \$100B Deployment



- ◆ Telecom
 - New technology deployment (3G/WiMax) likely to drive next wave of PE funding
 - Estimated \$3B equity funding required for 3G license purchase alone
 - Equipment purchase and rollout funding on top of this
- ◆ BFSI
 - New banking licenses will spur equity investment of \$200-500m per bank
- ◆ Energy
 - Approximate Capex of \$1m for every MW of generation capacity
 - 150,000 MW capacity to be added by 2015 will require \$30B equity investment
 - However, the sector needs to be made more investor-friendly through market pricing, reverse grid flow etc.

2010-2015: Key Drivers for \$100B Deployment



- ◆ Education
 - 81% of PE Investors in India want to invest in education, yet only \$300m invested so far
 - Currently PEs can only participate indirectly due to ownership restrictions for schools and higher education institutions
 - The government must lift key regulatory hurdles to spur PE investment

- ◆ Retail
 - Only \$450m invested by PE funds so far despite high interest
 - Caps on foreign equity participation currently deter investment in the sector

\$50B+ additional investment possible in these sectors with right regulatory and policy environment,

- ◆ Global Limited Partners (LPs) showing strong interest in India
 - In the past 3 years, at least 15-20 reputed global LPs have established presence in India
 - Top LPs with India offices:
 - Sigular Guff
 - Guggenheim
 - Capvent

- ◆ Indian entities increasingly interested in PE investments
 - Interest from Banks, Family offices, HNIs, Corporates
 - In the past year, at least 3 funds of Rs. 1000 Cr each raised from Indian LPs

Government Initiatives to Propel PE Investment

- ◆ Today, the PE industry is growing with only passive involvement from the Government
 - Active government role can catalyze investment to \$100B+ in 2010-2015

- ◆ Encouragement to Early-Stage Venture Capital
 - Currently Venture Capital is only 8% of PE investment in India, v/s 30% in the US (NVCA, 2008)
 - However, venture-funded firms are a crucial supply chain to later stage PE
 - Venture Capital investments are long-term holds, with 5-7 year investment cycle
 - Investment in R&D and Innovation are of strategic importance to the economy
 - Government regulations need to treat Venture Capital as a separate investment class with special incentives

- ◆ Removal of regulatory hurdles in several industries
 - Several industries with large investment needs – Energy, Retail, Education etc. – have structural hurdles for investment
 - Investment-friendly regulatory and policy environments will spur PE investments in these sectors

Government Initiatives (Contd.)

- ◆ Mauritius v/s Mumbai
 - Routing funding through Mauritius is wasteful, inefficient and a deterrent to global investors
 - The industry has spent an estimated \$1B in 5 years administering the Mauritius route

- ◆ Promotion of Indian LPs
 - PE exit distributions (estimated \$40B) can stay in India if Indian LPs invest in PE funds
 - Tax benefits and other encouragement for long-term risk capital will promote Indian LP participation

Government Initiatives (Contd.)

