

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

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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

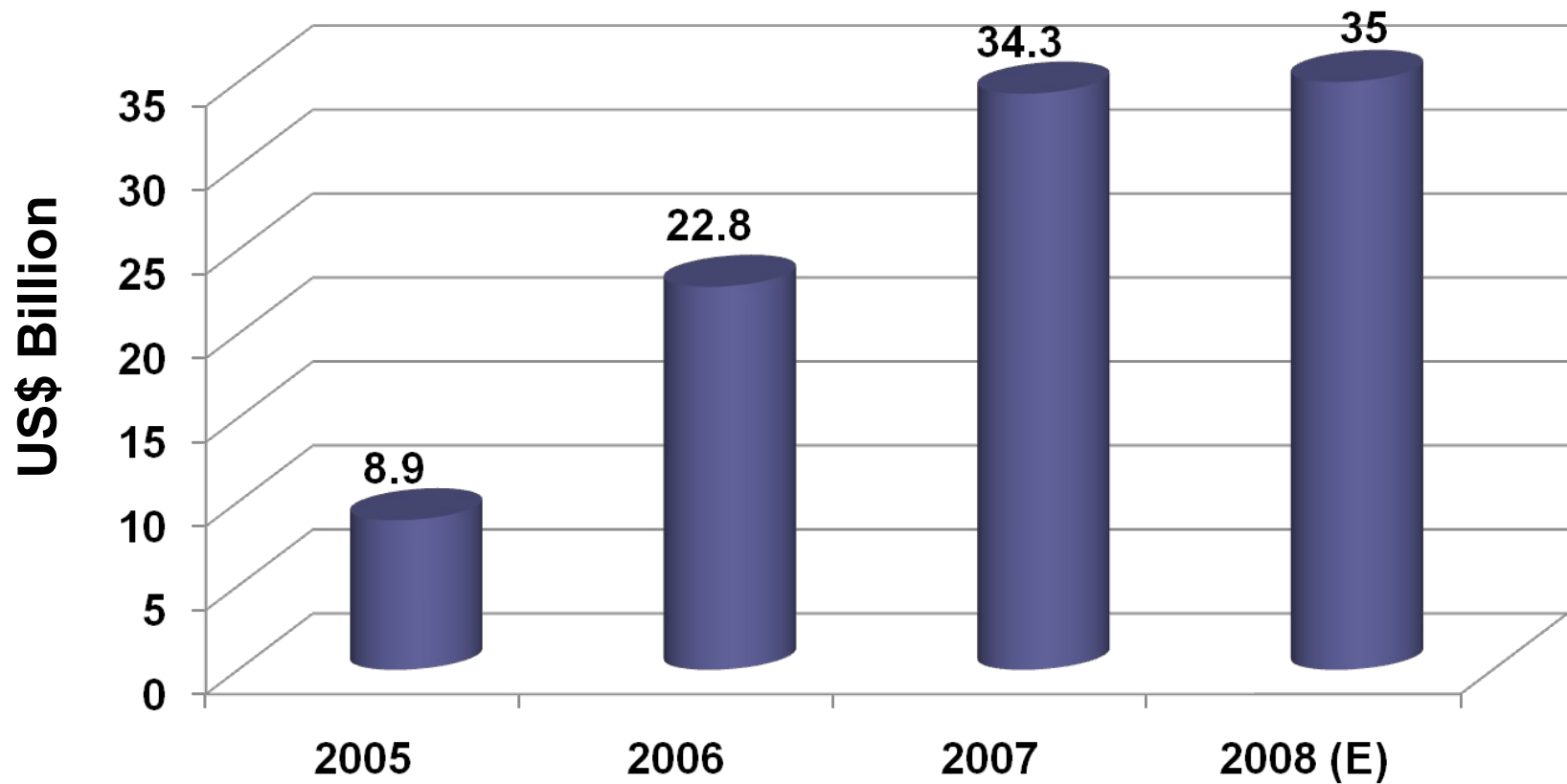
PE funds play an important role in helping Indian entrepreneurs build great businesses

Structure of PE funds

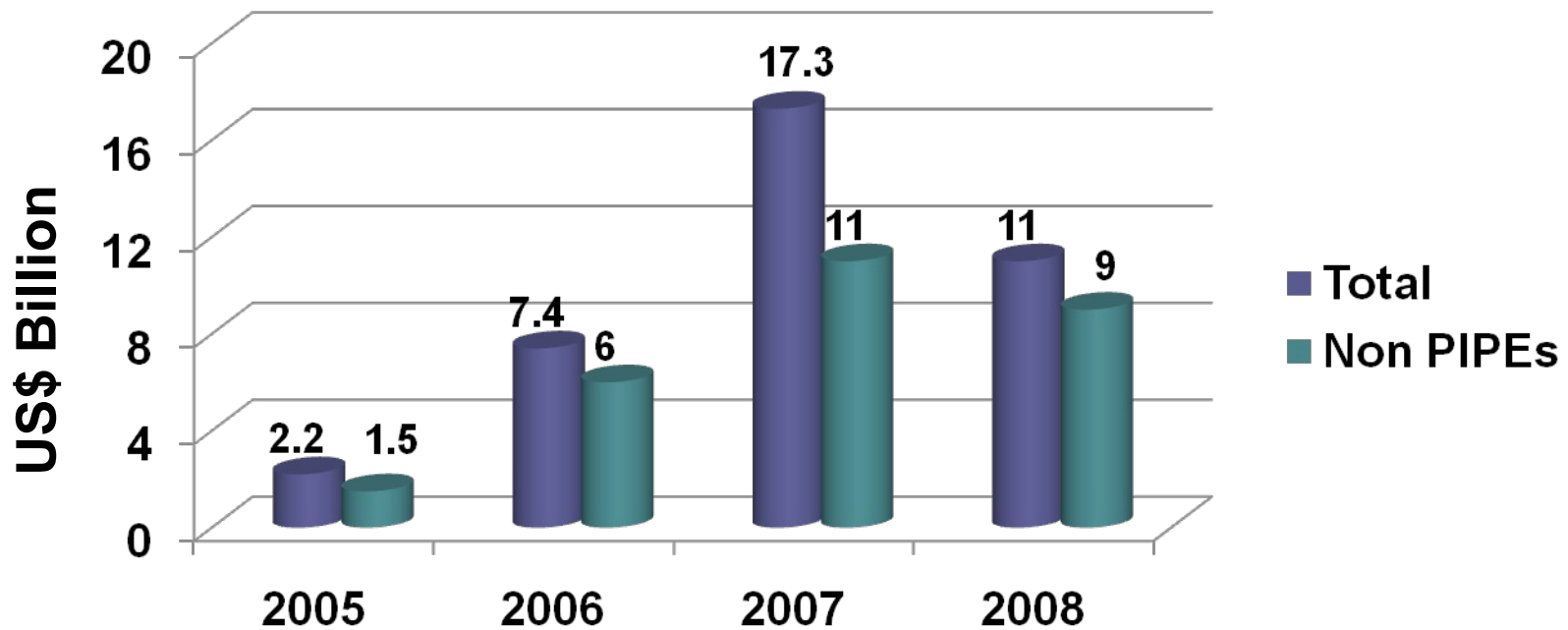
Relevance of PE funds to India

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Foreign direct investments

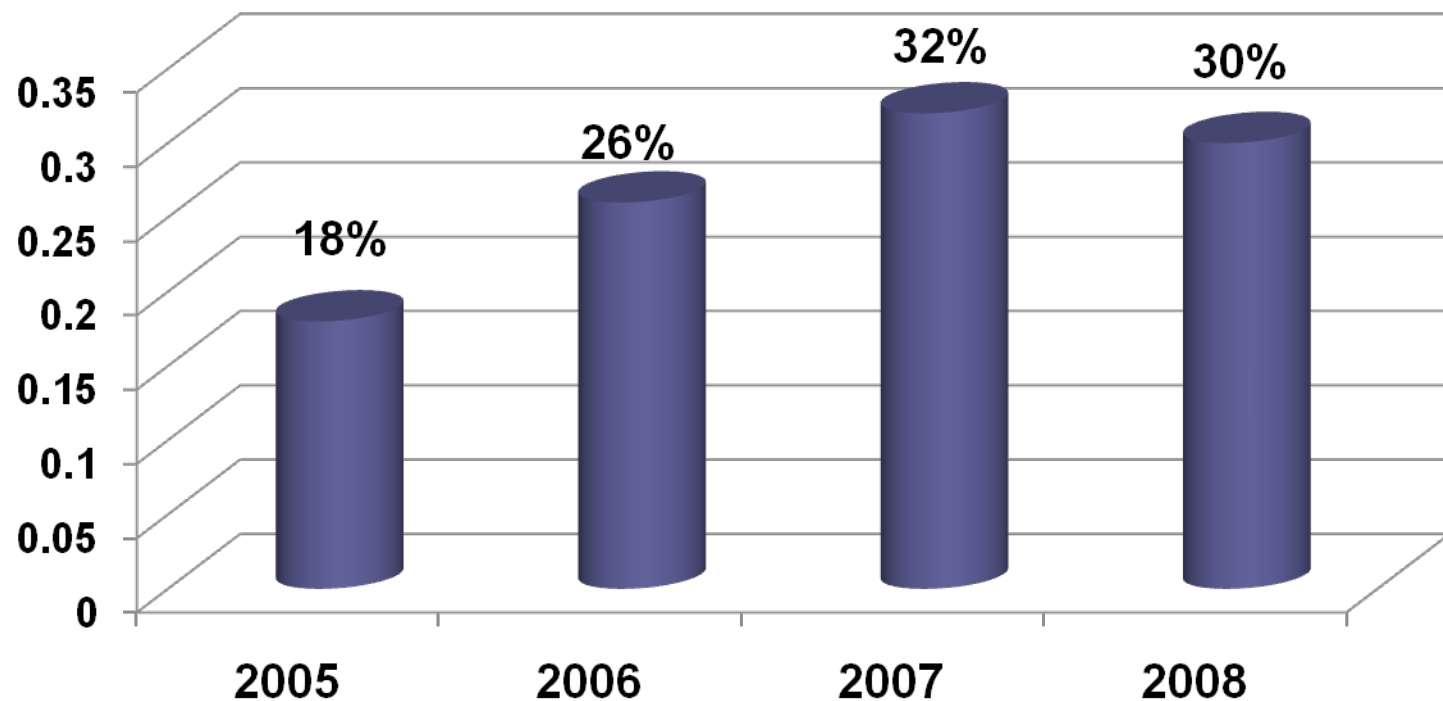


Private equity investments



Non PIPEs are included in FDI flows

PE investments are significant part of FDI



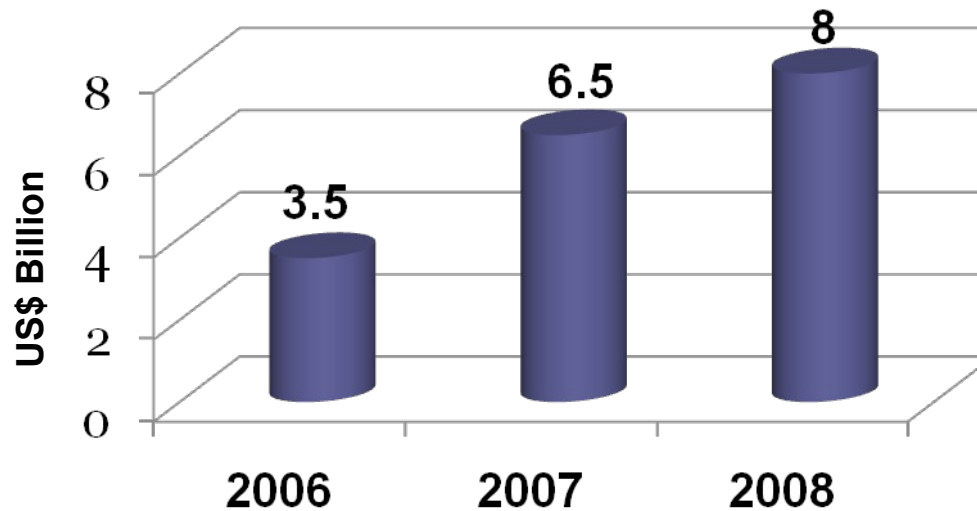
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India dedicated PE funds

Funds Raised



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

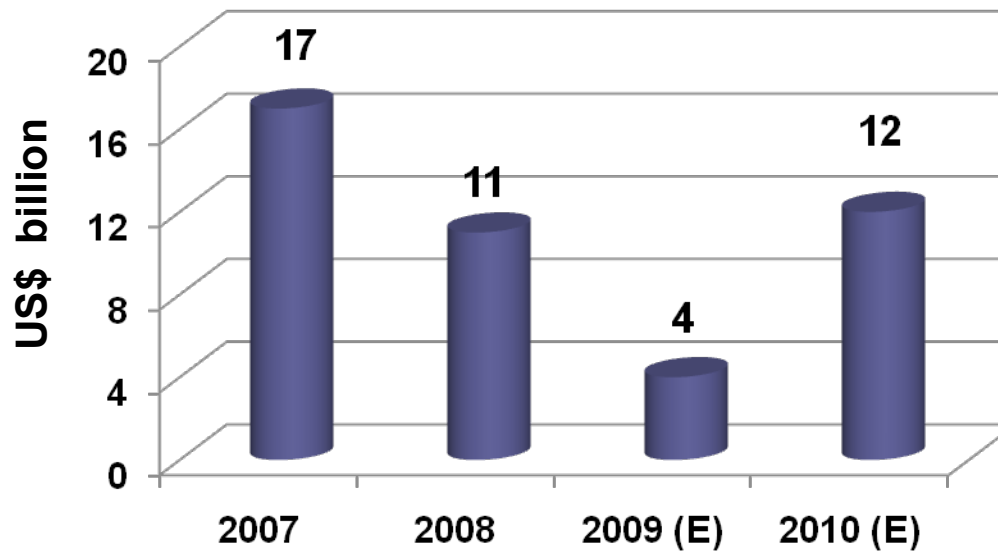
US\$ 10 billion still available for investments in India

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

Conclusion



- PE investments likely to be very slow till most bad news is out
- PE funds prefer to invest during downturns

ecovery in PE investments expected only in CY 2010

Thank you