



36th National Convention of Company Secretaries

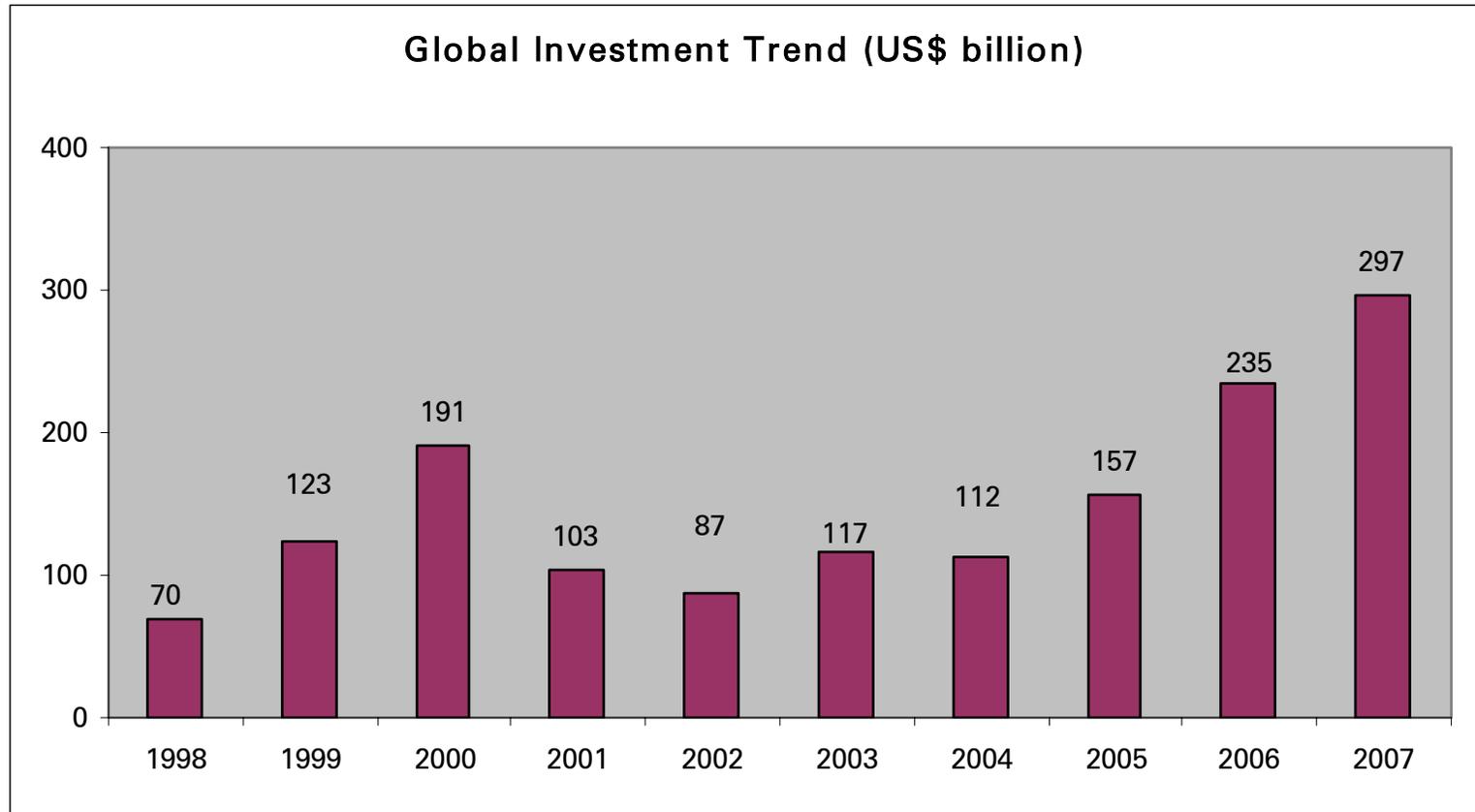
“Global Meltdown – Challenges & Opportunities”
Private Equity Industry Perspective



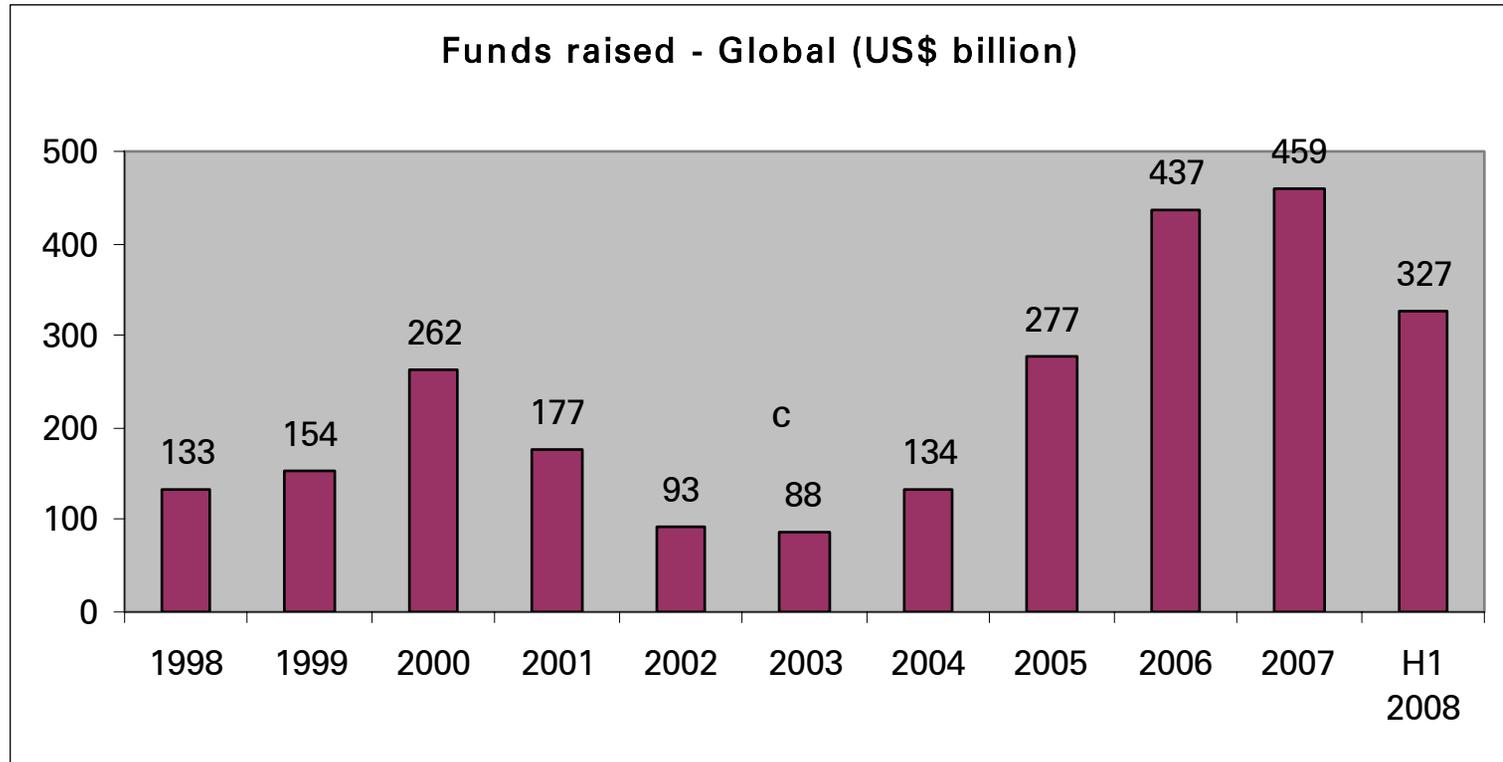
November 7, 2008



Global PE investments touched USD 297 billion in 2007, showing 4x growth in 10 years

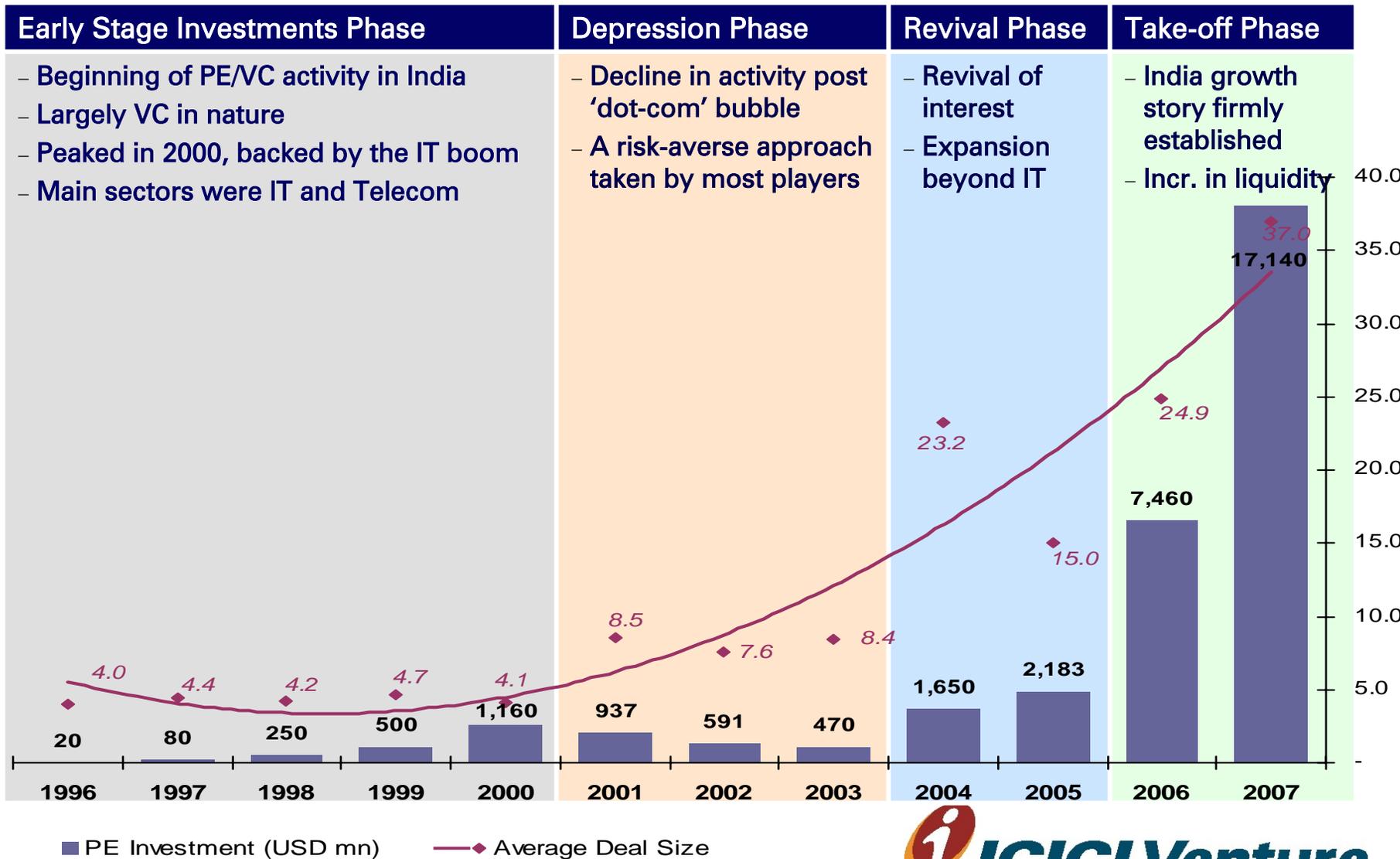


Fund raising by global PE industry reached an all time high of USD 459 billion in 2007



Fund raising continued to be buoyant in first half of 2008

Indian PE market crossed USD 17 bn in 07



India was the third largest recipient of PE funds globally in 2007

USD billion

	Country	Investment value
1	USA	105.7
2	UK	40.1
3	India	17.5
4	Japan	14.7
5	Australia	14.6
6	France	14.4
7	China	10.6
8	Germany	8.7
9	Malaysia	5.4
10	Singapore	5.4

Increasing maturity in regulatory & financial markets has facilitated private equity activity in all aspects

- Possible to create off shore or domestic cum off shore funds
- Regulatory guidelines are in place for different routes : Foreign Direct Investment (FDI), Foreign Institutional Investment (FII), Foreign Venture Capital Investment (FVCI)
- Barring few sectors, most sectors don't have restrictions on foreign investments / FDI caps
- Buy-outs are permitted although commercial banks have restrictions in providing leverage for equity purchase
- Diverse investment instruments including equity capital, preference capital, convertible debentures are used in the Indian markets enabling efficient structuring of transactions
- There is a well developed ecosystem of investment banks, legal advisors, financial and tax advisors, regulatory advisors, capital market participants, etc

Indian Private Equity industry has a large presence of global and local players

Global players want more of India

Indian private equity players are growing bigger



State of Private Equity Industry

Issues arising from “Global Meltdown”

Industry response-ICICI Venture Perspective

Financial markets could impact a PE player in 4 broad areas

Existing Portfolio

Exits

Fresh
Investments

Fund raising

Key portfolio issues at a macro level

Business operations

- Does the business require a fundamental rethink on strategy?
- Have the 'growth drivers' of the company undergone a change?

Financing of operations

- Is any company facing potential financial distress?
- Are the expansion plans impacted by lack of availability of financing ?
- Is there a major impact of rise in interest rate ?

Divestment time-frame

- Are the exit plans adversely affected by the change in capital market scenario ?

Valuations

- Impact of changing growth expectations and macro environment on the 'exit-realizations' ?

Illustration of impact at a Micro level

Macro Factor	Liquidity constraints in the financial market impacting growth, availability of finance & valuations	
Sectors significantly impacted	Sector	Particulars
	Financial Services	<ul style="list-style-type: none"> • Slowdown in retail consumer demand • Decline in retail broking activity • Fall in market valuations
	Retail	<ul style="list-style-type: none"> • Constraint in availability of funds • Fall in market valuations • Reduced discretionary spend affecting demand
	Media & Services	<ul style="list-style-type: none"> • Reduced domestic consumption might impact growth rates • Fall in market valuations
	Metals & Mining	<ul style="list-style-type: none"> • Fall in commodity prices

The portfolio is likely to witness some delay in exits and potentially lower realisations due to changed market conditions



Decline in market indices has eroded portfolio value for PIPE investors

Company	PE Firm	Entry Date	Deal value (INR mn)	Entry Price (INR)	Current Price* (INR)	Mark-to-Market Losses (%)
AllSec Technologies	Carlyle	23-Aug-06	786	260.0	27.4	89.5%
Sical Logistics	IDFC PE	24-Apr-07	1100	222.0	39.4	82.3%
India Infoline	Orient Global	24-Dec-07	5,550	300.0	58.6	80.5%
BAG Films & Media	Fidelity	24-Oct-07	676	60.2	16.4	72.8%
Development Credit Bank	Tata Capital & Others	10-Jul-07	850	105.0	30.5	71.0%
Nagarjuna Construction	Blackstone	3-Oct-07	6150	202.5	49.8	75.4%
Havells	Warburg Pincus	7-Dec-07	4394	625.0	246.2	60.6%
Gokaldas Exports	Blackstone Group	20-Aug-07	6760	275.0	90.0	67.3%
Yes Bank	Orient Global	4-Dec-07	3310	225.0	80.7	64.2%
Great Offshore Shipping	Carlyle	20-Jul-07	1650	861.0	296.4	65.6%
Infotech Enterprises	General Atlantic	6-Jun-07	3000	360.0	145.9	59.5%
JRG Securities	Baring India	27-Jul-07	1400	48.0	23.1	52.0%



*Price as on Oct 16, 2008

¹ Price adjusted for share split

Fund raising environment for PE players has become more challenging

- Large international investors are adopting a 'wait and watch' approach
- New fund managers are finding it difficult to raise funds
- New funds from existing fund managers are taking longer to achieve closure
- Size of new fund raisings being scaled down
- Domestic HNI investors continue to show interest, but currently form a smaller part of the market

Despite challenges, PE activity in India continues to show resilience in 2008

- Overall PE investment activity levels in India continued to be buoyant.
- A total of 227 deals with an aggregate value of USD 10.0 billion were announced during the Jan-Sept 2008 period.
- Maximum deal activity was seen in the Real Estate and Telecom sectors in value terms and IT & Real Estate in volume terms

Indian PE industry is less impacted by global conditions than western world

- Focus of western PE industry over the past few years was on Leveraged Buyouts (LBO) due to availability of plenty of debt financing at very attractive rates
- LBO deals have been a small segment of the Indian PE market so far due to various factors - regulatory issues, cost of debt, conservative nature of Indian banks, lack of enough opportunities, philosophy of retaining leverage potential in portfolio companies, etc
- Due to global liquidity constraints and risk averseness of banks, LBO activity of PE industry has been adversely hit
- On the other hand, Indian PE industry will be impacted to a much lesser extent due to its focus on growth capital investing using their own resources

State of Private Equity Industry

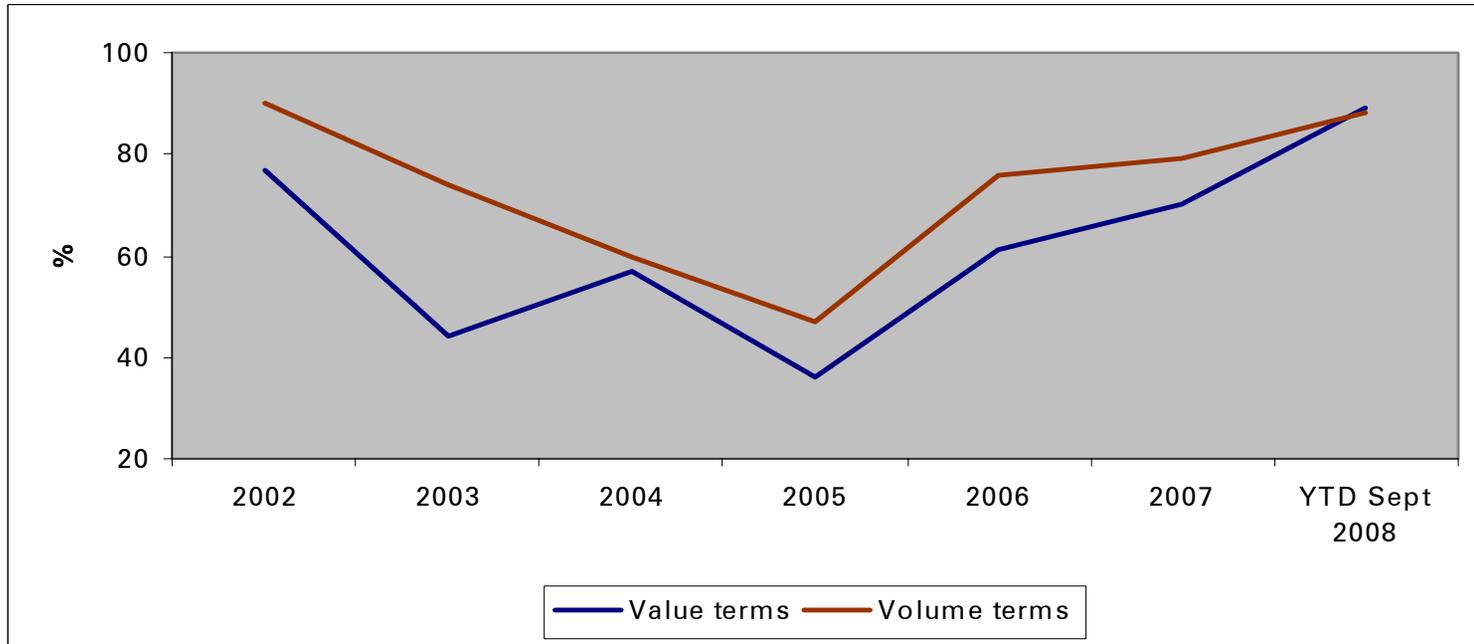
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Industry response-ICICI Venture Perspective

In the short term, PE investors will become more cautious

- Rate of new investments may slow down in the coming 12 months, although appetite may continue to be strong
- Investors will seek better terms
- Promoters without a credible track record will find it tougher to tap PE as a source of capital
- Hunt for 'differentiated' investment opportunities will intensify

PE focus on unlisted companies is becoming greater, once again



Unlisted company deals as % of total deals

In the long term, the India opportunity will continue to be vibrant

Demand drivers strongly in place.

Rising Income, Geographical Spread

Key Sectors still under penetrated

Healthcare, Retail, Financial Services,

Strong financial markets impetus

Exit track record, Larger deals etc

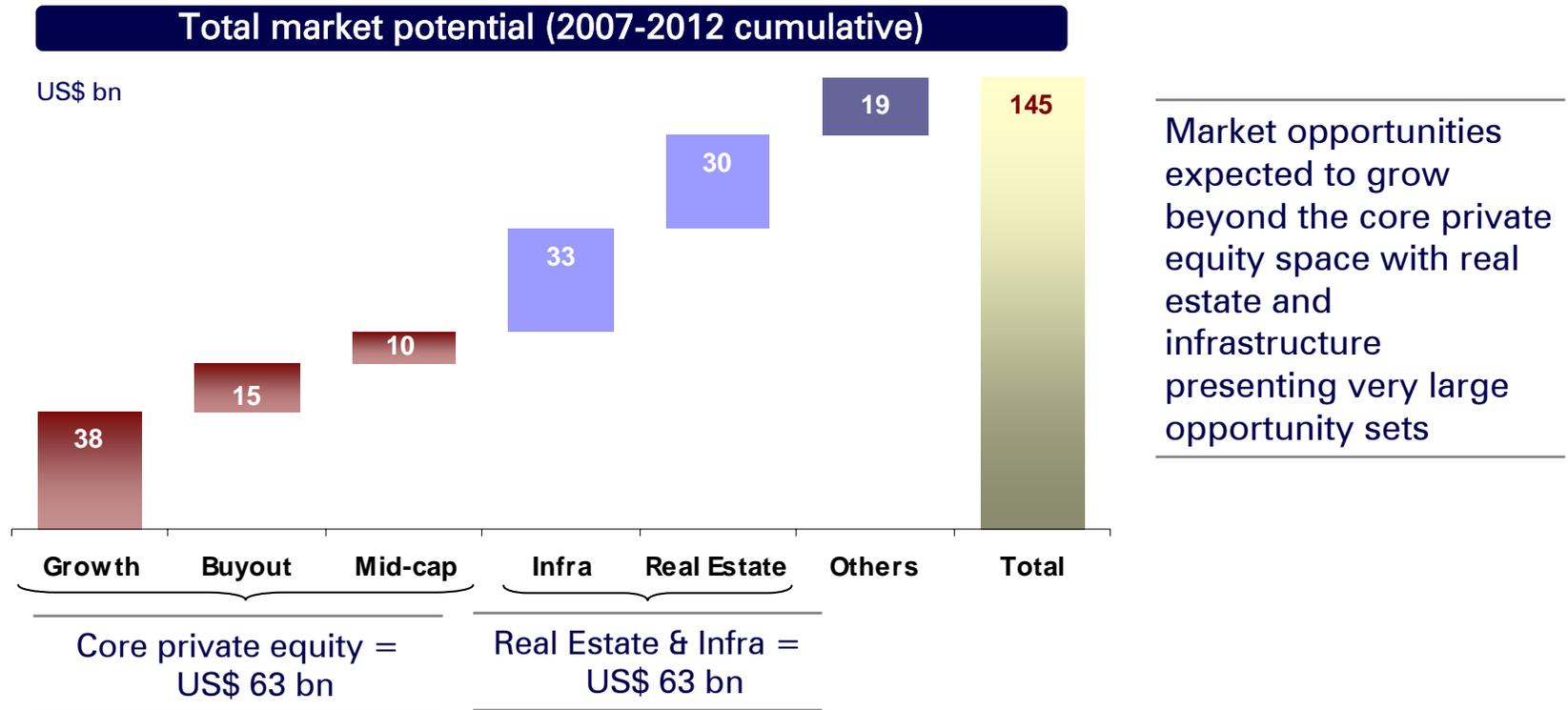
**Global aspirations of Entrepreneurs
and Financial Market Strength**

**Potential buyout market in family owned
businesses**

(with second generation ownerships)

Strong future for Indian private equity industry

Indian alternate assets market is expected to grow at a phenomenal rate over the next 5 years



ICICI Venture endeavors to continue being the leader in this high potential market

Innovative bets and differentiated deal structuring / execution



Buyout and control situation focus across deal sizes



Dedicated and large investment team to ensure high involvement



Aligning with the market trend of larger size transactions

Continued leadership in our space in the Indian Private Equity market

ICICI Venture proposes to raise new Funds to address this opportunity